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NOMINATION OF HON. EDWARD J. DERWINSKI

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE NOMINATION OF HON. EDWARD J. DERWINSKI TO BE ADMINISTRATOR OF VETERANS' AFFAIRS/SECRETARY OF VETERANS AFFAIRS

MARCH 1 AND 2, 1989

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NOMINATION OF HON. EDWARD J. DERWINSKI TO BE ADMINISTRATOR OF VETERANS' AFFAIRS/SECRETARY OF VETERANS AFFAIRS

WEDNESDAY, MARCH 1, 1989

U.S. SENATE,
COMMITTEE ON VETERANS AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 1:42 p.m., in room SH-216, Hart Senate Office Building, Hon. Alan Cranston (chairman of the committee) presiding.

Present: Senators Cranston, Matsunaga, DeConcini, Rockefeller, Murkowski, Simpson, Thurmond, Specter, and Jeffords.

Also present: Senators Dixon, Simon, and Congressman Michel.

Chairman CRANSTON. The committee will please come to order.

This is a hearing on the nomination of the Honorable Edward J. Derwinski of Illinois to serve as the Administrator of Veterans' Affairs and, beginning March 15, as the Secretary of Veterans Affairs, a new Cabinet office that has just been created.

I have a very brief opening statement to make, but I would be delighted to recognize the Republican leader in the House, Mr. Michel, if he would like to make his remarks now so that he can go back to the other body where I know he has duties calling him.

OPENING STATEMENT OF CONGRESSMAN MICHEL

Mr. MICHEL. Thank you, Mr. Chairman. I appreciate the opportunity to say just a few things on behalf of my former colleague in the House of Representatives and from my home State of Illinois.

Ed Derwinski served with great distinction, as you all know, in our body for a number of years. During that time as I have assessed his service and tenure, he was always one who came to the fore very well prepared to make the arguments about which he felt strongly. He could hold his own against all his peers because he did his homework and studied his subject well.

He is a veteran, of course, of the same war of which I am a veteran, World War II. While he has always been a strong individual with respect to the defense of the country, he also recognizes that those who have served our country in the military forces in whatever capacity are those to be remembered after their service, and to have a strong feeling and compassion for those particularly who may have suffered disabilities, who may have been wounded in action, and yes, for the families and survivors of those who did not come back. It is a very important segment of our population for

whom we always have to have a sympathetic and compassionate feeling, and Ed has those qualities.

So I have no alternative but to come over and endorse his candidacy wholeheartedly, knowing full well that even though this Member did not vote for Cabinet status for a Secretary of Veterans Affairs, I guess only because I didn't want to see a bureaucracy growing beyond bounds, but that whatever limited resources we might have for that area, that those resources go to the veterans and their families themselves rather than being tied up in administration.

Chairman CRANSTON. The record will show that we will not interpret that vote as a vote against Mr. Derwinski. [Laughter.]

Mr. MICHEL. And having said that, in my private conversations with the nominee I have implored him that in his administration of that Department, he operate it as leanly as he possibly can to make absolutely sure that those resources go to where we think, quite frankly, they are best spent—not so much in administration, but rather on the veteran and his family.

So having said that, Mr. Chairman, I thank you for the opportunity to say these things. I hope the committee will look kindly upon his nomination and report him out unanimously.

Chairman CRANSTON. Thank you very, very much. We appreciate your coming.

Mr. MICHEL. Thank you, Mr. Chairman.

Chairman CRANSTON. Others are coming, Senator Simon and Senator Dixon, but since they are not here at this point we will give them an opportunity as soon as we can when they arrive.

I will now proceed with a very brief opening statement.

OPENING STATEMENT OF CHAIRMAN CRANSTON

Chairman CRANSTON. I welcome all of you to this hearing on this nomination of Mr. Derwinski.

Ed, I welcome you and your wife Bonnie to this event. As I told you during our January 4 meeting, I offer you my sincere congratulations on your nomination.

As we meet here to consider the nomination of the first Secretary of Veterans Affairs I am struck by how historic an occasion this is in the annals of veterans' affairs in our Nation. It is a day for which so many in this room have labored so long and hard and with such great tenacity. It is a day to mark the inauguration of a new era.

As most of you know, Ed Derwinski represented the Fourth District of Illinois in the House of Representatives from 1958 until 1982. Since 1983 he has been at the Department of State, first in the position of counselor, and since 1987 as Under Secretary of State for Security Assistance, Science, and Technology. He is a World War II veteran, having served in the Army in the Pacific theater.

During Ed's time in the Congress he developed a reputation for expertise in both foreign relations matters through his service on the Foreign Affairs Committee, and in matters relating to the Federal civil service through his service on the House Post Office and Civil Service Committee on which he was the ranking Republican

member and a major force in enacting the Civil Service Reform Act of 1978.

Ed, I suspect that your many years in Congress have given you valuable skills to bring to bear in the high position for which you have been nominated. First, by virtue of your efforts on behalf of your constituents over the many years in the House, I know you have gained a strong sense of the vital importance that the VA plays in so many people's lives, whether in the form of a benefits check or access to high-quality health care or to any of the many other services and benefits which the VA furnishes. And I know that your recognition of that importance can make the task of maintaining and strengthening that system of veterans' benefits and services that much more meaningful to you.

Second, it is obvious that your extensive experience with the civil service system can be a great asset in connection with the Federal Government's second largest employer. I don't have to tell you that a department with over 250,000 employees needs to have a strong program for understanding and meeting the needs of its employees. The VA, in a very real sense, is its employees. All of the services, all of the benefits ultimately depend on the efforts of a qualified and committed work force. Over my many years of working on VA issues I have developed a very high regard for the work and dedication of VA employees, and I hope you will be as impressed in your visits to facilities throughout the system.

Although your long experience in the foreign relations field may not be obviously relevant to the VA, I think your experience there can be of assistance. As you know only too well, both from your work in the Congress and now from your years at the State Department, the essence of success in the field of foreign relations is the ability to recognize and respect competing interests and then to seek to develop a balance between such interests so as to find an appropriate resolution. The art of negotiation that you have honed over the years could be invaluable both inside the VA and in representing the VA in the Cabinet and elsewhere.

With reference to this final point of negotiation, Ed Derwinski has often stressed the importance of bringing the executive and legislative branches together. It is my very strong sense that we who work on veterans' matters do our very best work when we work in a bipartisan fashion and do so with cooperation between the two Houses of Congress and between the Congress and the executive branch. I sincerely look forward to that kind of a bipartisan relationship with Ed, assuming his confirmation.

Heading up the VA has always been a tough job. I think it will be even tougher in the future. First, the next person to head the VA will be the first Secretary of Veterans Affairs. The change to a Cabinet-level department will have many ramifications. Expectations for change and more resources will be high.

Second, the VA is in a very bad financial way just now. I am deeply concerned about its ability to continue to provide benefits and services in an acceptable manner unless this fiscal crisis is resolved. Trying to find a way out of the present fiscal thicket confronting the VA while recognizing and working in response to larger economic concerns will be no small challenge.

But I am very hopeful that Ed Derwinski will be the right person to take charge of the VA at this critical juncture. In your answers to my prehearing questions and again today in your prepared statement, Ed, you have expressed your very clear and strong intention to be an advocate for veterans within the administration and the Cabinet. It has not always been clear in the recent past that the head of the VA was fulfilling that role, and I am delighted with your very forthright acceptance of that mandate.

As I have said on many occasions, I believe very strongly that the cost of veterans' benefits is a continuing cost of providing for our Nation's defense. We must not be seen as being unwilling or unable to fulfill our commitment to those who serve our country in its hours of need.

Assuming your confirmation, Ed, I look forward to getting down to business and working with you in a cooperative, open fashion to meet our obligations to those who have kept the Nation free and have kept it strong. To borrow a thought from the President's inauguration address, I extend my hand to you in welcome.

I am delighted that Senator Simon is now here to introduce you to the committee.

Paul.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. Thank you, Mr. Chairman and my colleagues.

I have known Ed Derwinski since 1957. We served together in the Illinois General Assembly. I know him to be a person of ability and integrity. He lacks a sense of humor, but other than that he's a very good man. [Laughter.]

He really has the stuff that is necessary to be a very effective Cabinet officer, and I particularly welcome his handling veterans' affairs. I think it is important that someone be at that Cabinet meeting who knows all of us, who can be around saying "this is what's needed" for veterans in this country.

I don't go to a town meeting in Illinois without someone getting up and asking the question, "What's happening to our services for veterans?" As a veteran myself, I am one who believes that we have a real obligation here, and I think Ed Derwinski is going to be a very effective spokesperson for the cause.

You and I, Mr. Chairman, worked on an atomic veterans bill that has become law. I know that Ed Derwinski is going to get in there and do everything he can to see that that law is made effective.

I have no hesitancy whatsoever in giving the highest recommendation to Ed Derwinski. He is going to serve this Nation with distinction.

Thank you.

Chairman CRANSTON. Thank you very much, Paul.

I see the ranking Republican member, Senator Murkowski, approaching the dias. I will now call upon him for whatever opening remarks he may like to make.

OPENING STATEMENT OF SENATOR MURKOWSKI

Senator MURKOWSKI. Thank you, Mr. Chairman.

First of all I want to thank you, Mr. Chairman. I am pleased to join my colleagues in this hearing of the Veterans Affairs Committee to address the nomination of the first Secretary of Veterans Affairs.

I don't think there should be any mistake about it, Mr. Chairman. This nominee is an extraordinary and outstanding individual. He and I have shared a few podia on occasion. I recall being over in Korea, and his particular charge was to represent the Secretary of State in helping to lobby for the 1988 winter Olympics. The U.S. nominee happened to be the State of Alaska. A great deal of press and a great number of extraordinarily talented people and kings and queens were there. Ed Derwinski was asked how a fellow like himself and a Senator by the name of Murkowski could possibly compete in such an environment, and he commented by saying that very few people know that both Derwinski and Murkowski came from Polish nobility. It might be somewhat removed, but nevertheless I thought what an extraordinary and appropriate remark to handle a very diplomatic situation.

I think that Mr. Derwinski will be called upon in his new capacity to handle many more diplomatic situations that come up, but I think his experience in the Government will lead him to handle those situations with confidence.

I should also like to add, with regard to the creation of the Cabinet position, make no mistake about it, this was a personal commitment of President Reagan, who made a decision that he wanted this to happen on his watch. A lot of people will take credit for it, but I can assure you it would not have happened had President Reagan not been committed to making it happen. I think it is significant as we look upon the obligation which we have to the veterans of this country and the realization that we're never going to meet that obligation properly, that the best contribution we can make is to bring it to the highest level of Government. That's the policymaking level, and that's where it's going to be.

Has Mr. Derwinski been recognized, Mr. Chairman?

Chairman CRANSTON. Yes.

Senator MURKOWSKI. I gather my remarks are rather extensive, but I would ask that they be included in the record and I will just briefly make reference to them at this time.

I think it appropriate to take advantage of our newest member, Senator Jim Jeffords of Vermont, who is on the committee—not only to congratulate him for being on the committee, but on his recent election to the Senate. The reason I particularly want to recognize him is that he fills the shoes of an extraordinary member of this committee, Senator Bob Stafford, also of Vermont, who as we all know recently retired. I think if anyone can carry on Vermont's proud tradition of commitment and service to our veterans it will be Jim.

Mr. Chairman, I note the various new members on the committee; the organization that has taken place with the departure of some of our members; the recognition that we have a new general counsel on the Republican side, Vic Reston, a former Marine colonel and graduate of the U.S. Naval Academy. I don't know if our good friend Tony Principi is in the audience, but he is to be nominated as the Deputy Secretary of Veterans Affairs. He served as

counsel for both the majority and minority, was formerly staff director, and he certainly brings a strong background of experience to the position.

But in reality, the purpose of this hearing is to recognize Ed Derwinski as the first Secretary of Veterans Affairs. I commend him and his lovely wife, Bonnie, and extend a warm welcome to their family.

I'm not going to spend much time on Ed's long and distinguished record, his 24 years in the Congress, 8 years in the State Department, but I think the truth of the matter is that Ed's public service began long before he came to this city. It began as a young man when he went into the U.S. armed services and wore the uniform of the U.S. Army. I think that tells a lot about Ed's commitment to the Nation. It also confirms to America's veterans that he is truly one of them.

I have had an opportunity to meet with Ed since his nomination was announced. I reviewed his background file in detail. I can honestly say that I don't have an unanswered question—I guess that would be a fair statement, Ed.

Furthermore, I have received a letter of suitability from the White House Counsel expressing the President's continuing confidence in Ed and I would ask unanimous consent, Mr. Chairman, that that be entered into the record as if read.

Chairman CRANSTON. Without objection.

[The letter from the White House Counsel appears on p. 65.]

Senator MURKOWSKI. Mr. Chairman, I have already covered the latter part of my formal statement with reference to President Reagan, who recognized the importance of veterans to our country by the manner in which he made the policy decision to bring the Department of Veterans Affairs to Cabinet level.

In conclusion, I am fully confident that Ed has a full appreciation of the importance that the Congress and the Nation place on veterans' programs, created to serve those who have served us. I look forward to his statement today and that of his colleague from Illinois, his home State, Senator Dixon. I look forward to working with him in the years ahead as the Congress and the new Department of Veterans Affairs seek ways to serve America's veterans effectively.

And I would remind you that those of us who have served in this capacity are constantly requested to do more for the veterans of this country, and the recognition that we can never do enough is a very real one. So what we have to do continually, I feel, is to have the input from the veterans' organizations, the veterans themselves, by way of the VA so that we can continually reassess the changing priorities of American veterans and better meet those needs—because regardless of what the budget is, we're going to have to work with what we get. It's never going to be totally enough, and that's why we have to have the continued communication and the continued input to try to do better with what we ultimately get.

Thank you, Mr. Chairman.

[The prepared statement of Senator Murkowski appears on p. 67.]

Chairman CRANSTON. Thank you very much, Frank.

It is now my pleasure to call upon Senator Alan Dixon of Illinois who also has introductory remarks to make.

Alan, we have already heard from the other two top people in the Congress from Illinois, Paul Simon and Mr. Michel, so we have had both parties represented and we are delighted that you are now with us.

OPENING STATEMENT OF SENATOR DIXON

Senator DIXON. Thank you very much, Mr. Chairman.

It is an honor to appear here this afternoon before this committee to introduce my warm personal friend, Edward J. Derwinski, and to endorse fully his nomination as the first Secretary of Veterans Affairs.

I would like all of my distinguished colleagues to know that I make this introduction not just out of courtesy to a fellow Illinois native, but also out of respect for his lengthy and highly regarded 32 years of distinguished public service.

Everyone here knows that Ed is a Republican and I am a Democrat, but what you may not know is that we started our political careers together as freshmen in the Illinois Legislature—Ed as a Republican and Alan Dixon as a Democrat.

Down in Springfield, IL, we all grew to respect Ed as a big-hearted, honest, openminded guy with a sense of humor. In short, a political gentleman who was not afraid to do battle with you by day and then show his true friendship in the social world.

Ed Derwinski was and is an honorable political figure in the best tradition of this country. In my own service in all three branches of the Illinois State government I have observed Ed firsthand, from his management of statewide political matters to his personalized handling of casework for veterans. As the senior Senator for Illinois I can also tell you that his nomination has been very well received by the veterans' organizations in our State.

As a veteran myself, Mr. Chairman, I know that Ed is already sending the right signals to all of our veterans that he is their advocate and not some faceless bureaucrat without access to the corridors of power. He is a personal friend of President Bush, not to mention most Members of this Congress. But Ed Derwinski is more than just a friend. He is a man who gets things done. He is a man who can get people to work together. He is a man who can identify and solve many problems. He is a man who can honorably work and deal with people of every political persuasion, and I am sure that every member of this committee will enjoy working with Ed. I have, and, my friends, I commend Ed Derwinski to all of you

Chairman CRANSTON. Thank you, Alan, very, very much.

I will now call upon Senator Matsunaga and the other Senators who are here for any remarks they wish to make.

Sparky.

OPENING STATEMENT OF SENATOR MATSUNAGA

Senator MATSUNAGA. Thank you, Mr. Chairman. I have a prepared statement and I ask unanimous consent that it be included in the record.

In the interest of saving time I just wish to welcome my good friend and former colleague in the House, Ed Derwinski. We had many good times together, although from opposite sides of the aisle. We traveled together and got to know each other pretty well.

I must commend you for making American history today, to become the first Secretary of the Department of Veterans Affairs with a name like Derwinski, and supported by a Senator with a name like Matsunaga, so this is truly history.

Of course, as the first Secretary of Veterans Affairs you have a tremendous task in front of you. I'm sure you recognize that. Aside from the attendant difficulties of administering our second largest Federal agency, an organization responsible for the health and well-being of 27 million veterans and their 51 million dependents, the Secretary of Veterans Affairs must grapple with the worst fiscal crisis ever to confront veterans. I refer, of course, to the estimated $1 billion-plus shortfall in the current year budget, including at least one-half of a billion dollars in the health care account alone, as well as the meager Reagan-Bush budget request for fiscal year 1990, which CBO estimates to be $1.5 billion below current service levels.

Today thousands of veterans are being turned away from medical care and numerous programs and services are being cut substantially or eliminated entirely. This situation will be exacerbated next year and for the foreseeable future unless it is addressed immediately. In my opinion, I am certain that you have the proven capacity to deal with this problem and many other problems which the VA presently faces as a non-Cabinet level organization.

I will have questions later, but I wish to conclude by congratulating you and Mrs. Derwinski and the family who are here. They have every right to be proud of you.

Thank you.

[The prepared statement of Senator Matsunaga appears on p. 72.]

Chairman CRANSTON. Thank you very much, Sparky.

Next is Senator DeConcini. Dennis?

OPENING STATEMENT OF SENATOR DeCONCINI

Senator DECONCINI. Thank you, Mr. Chairman.

First, Mr. Chairman, I would like the record to show that you and the ranking member, Senator Murkowski, have gone over backward in my judgment to be fair to the nominee here and to do a thorough job of some very sensitive matters that have been raised as to this nominee. I feel it was indeed bipartisan, but I also feel that it went into the depths as much as this committee could do in the confidential and classified area. I want the record to show this Senator's thanks and appreciation for both you and the ranking member and the staff in approaching this problem. I feel that if there were leaks of any of the information, they didn't come from this committee.

I know Mr. Derwinski and his family have obviously been through a trying time, having some occurrences that happened many years ago coming up again through the press and what have you. I wanted to compliment him on his forthrightness with the committee in answering these matters. I am very satisfied and for

obvious reasons will not go into the details of that. I want the record to show that.

Likewise, Mr. Chairman, I take nothing away from former President Reagan in his support for this office. Obviously, if he was not for it he could have vetoed it. But I think, Mr. Chairman, that the record is so clear that the House of Representatives and the U.S. Senate continuously pressed this legislation. Several times in the past 4 years there was a majority of Members in both Houses. Finally when the train started to move we did see some strong leadership from the Reagan administration in passing it.

I don't take anything away from the President because I am glad he was for it. He signed it and went through the effort to dramatize the importance of it. But I also think the Congress had a lot to do with it. Chairman Cranston and the ranking member, who was chairman once when that bill had a majority in the Senate, deserve some credit for guiding that through, as did Senator Thurmond, who has been one of the leaders in this area for so very, very many years.

Mr. Derwinski, I don't know how to tell you this. You've got the toughest job I know—almost. Secretary Bennett may have a tougher one. I don't know how you approach the problem that you face. Thank goodness, the law is passed and you are a Cabinet member so you will be there at the table to represent the veterans of this country. In my opinion, that is a large constituency that goes beyond the needs of the veterans on a day-to-day basis, but the commitment that this Nation has had for veterans.

I want to help you. As I talked to you before, I truly hope that you will be an advocate. I realize you've got to be a team player and I realize that decisions are made primarily and finally by one person, the President. If that decision is to cut the budget of the Veterans Administration by $420 million or $820 million or $1.2 billion, so be it and we will fight that battle.

But I really want to urge you to do what I know your conscience will tell you to do, and that is to fight like hell on behalf of America's veterans at the administration level and to the President. I think if anything is significant about a Cabinet member it is that he has the access; obviously, the chief of staff or anybody else is going to let him in that office when he feels it's necessary. I think it's necessary now.

I will pose some questions to you at a later hearing, regarding health care funding issues, especially a couple of problems in my own State getting replacement and new equipment. I hope we can work together to do the best we can with what we have after you've done the best you can to get more of it and we've done the best we can to appropriate the necessary funds.

Thank you, Mr. Chairman.

[The prepared statement of Senator DeConcini appears on p. 75.]

Chairman CRANSTON. Thank you very much, Dennis. And thank you for those fine words about the effort that Senator Murkowski and I and the staff have made to be thorough and correct in every way as we've conducted the investigation we felt necessary to fulfill our constitutional duty on the confirmation process.

It is now my pleasure to recognize Senator Rockefeller. Jay?

OPENING STATEMENT OF SENATOR ROCKEFELLER

Senator ROCKEFELLER. Thank you, Mr. Chairman. I echo the respect expressed toward both you and Senator Murkowski—and, I might say, Senators Simpson, DeConcini, and Specter—on how the investigation was handled. It made me proud. It was an effort tastefully but thoroughly and aggressively conducted.

Ed, my only comment to you would be to say that it is terrific for veterans that you are joining the Cabinet. What is going to have to happen now is that after this highly symbolic gesture—the VA's elevation—has been enacted, it must be shown by you and by those of us who voted for the legislation that it was worth it. You and we are going to have to come through for the veteran; the VA is now at the highest level of Government and our deficiencies will be appropriately noted if indeed are deficient

We all have our work cut out for us. I look forward to working with you. I think you will be good.

Thank you, Mr. Chairman.

Chairman CRANSTON. Thank you very much, Jay. Again, I appreciate those words about our efforts as we conducted this confirmation process.

It is now my pleasure to go to you, Ed. If you will arise, I will administer the oath to you.

Pursuant to the rules of the committee as recently amended, all nominees are going to be asked to testify under oath.

[Witness sworn.]

Chairman CRANSTON. If you would now proceed with your opening statement, we would welcome it.

TESTIMONY OF HON. EDWARD J. DERWINSKI, NOMINEE FOR ADMINISTRATOR OF VETERANS' AFFAIRS/SECRETARY OF VETERANS AFFAIRS

Mr. DERWINSKI. If I may, Mr. Chairman, I have a very brief prepared statement which I would like to insert in the record.

Chairman CRANSTON. It will go in the record as if read.

Mr. DERWINSKI. I might depart from the script to address myself to a couple of points you made in your prepared statement. I think that would be more practical.

But before that, please give me the liberty of making one polite observation to Senator Rockefeller, who noted the difficulties that we face.

Senator, I feel that I'm in about the same position as was Coach Lou Holtz of Notre Dame before they played West Virginia. He knew that he had a difficult assignment, but with the cooperation of everyone he was able to overcome the awesome West Virginia political and football machine. You have to understand that I am as confident as Coach Holtz was. You, representing West Virginia, understand how confident he was, and therefore you will give me as much credit for overcoming the problems we face in the area of veterans' services as you give Lou Holtz credit for overcoming your awesome West Virginia football machine.

I just thought that would be the most dramatic way to put that on the record.

Senator ROCKEFELLER. Mr. Derwinski, operating under the golden dome and under the blessings of God, I guarantee you you're going to do very well. [Laughter.]

Mr. DERWINSKI. Senator Cranston, you made some references in your opening statement about which I believe it would be easy for me to get right to the point.

One of them is that you and Senators DeConcini and Murkowski and my old friend, Sparky, all mentioned the budget crunch and the impact it has on direct services to veterans.

My point is that this is an obligation we have, and regardless of budget pressures we must provide for services in the form of quality health care and checks to the veterans who are legally entitled to them. This isn't something that we could skirt around the way we can with other projects, perhaps, in other departments. So I intend to be an advocate for the veterans. I see that as perfectly logical.

As an old Member of the House I studied in great detail the debate in the House and the Senate on the creation of this Department. Clearly it was the intent of Congress that the elevation of the Veterans Administration to Cabinet status was to give the veterans a greater voice in Government, a greater access. I think it is practical to state that a Secretary negotiating with OMB should be on somewhat better ground than an Administrator. And having access to the President is a bit easier when you are a Secretary than if you are a notch lower in the protocol and title order.

I have had no problem in approaching the President. I should advise all of you that the President is going to participate in the March 15 ceremony inaugurating the Department. He is very eager and anxious to do so. I think that will be an indication of his personal interest in veterans and his commitment to the success of this new Department.

We're not going to win all the battles, but I intend to have a very high batting average, with your help.

I would also like to point out that my reading of the congressional debate indicates one other very interesting factor. You noted that, Senator Cranston, when you referred to the VA employees and the services that they render, especially in the field.

It is clear to me that it was the intent of Congress that in transferring to a departmental status we should not in any way politicize the operations of the VA. So, I want you to know that, as the Secretary-designate, I welcome the restrictions you put in on the number of schedule C's and noncareerists. That removes any possible temptation that we might have had for an overload of political appointees. I am very comfortable with those restrictions. In fact, I am also pleased to tell you that in early contacts with the White House we have told them very clearly that in the appointments we would be making, the Presidential appointments and the few schedule C's and DAS's that would be noncareerists, we wanted quality people. We didn't need quantity; we couldn't have quantity; we wanted quality. They have indicated that they will cooperate, and I can assure you that the appointments we will make will reflect the service rather than any other motivation.

If I may also make what I hope will be taken as a polite observation, I completely concur with and appreciate your emphasis on a

bipartisan relationship. Especially when coming from a party that doesn't have the horses in either body of the Congress, I appreciate your willingness to be bipartisan and look forward to that relationship.

I am also aware from my years of experience that the standing gripe of most Members of the House and Senate in dealing with the executive branch is often, directly stated, "If you want us in on the landing, let us be in on the takeoff." And that means to me that you want and you deserve and you will have from me full consultation. I want to work with you. We want your cooperation. Hopefully we will have some innovative ideas as to how to improve the operations of the VA. At all times I will be completely desirous of working with you. I do intend, as all of you have noted in one way or another, to be the advocate of the veterans.

In the last month when I have been officially the Secretary-designate I have been able to establish what I think are excellent relations with most of the veterans' organizations. I think those will be effective contacts. My door will always be open. While I recognize the difficulties I will be facing as the Secretary of Veterans Affairs, I think with your help and constant cooperation and that of Sonny Montgomery and his committee, we will more than fulfill the basic needs of our veterans and, hopefully, do very well in their overall expectations.

I thank you. I will be pleased to respond to any questions the committee may have.

[The prepared statement of Mr. Derwinski appears on p. 76.]

Chairman CRANSTON. Thank you very much for that brief but very fine opening statement.

I am pleased by your emphasis on your determination not to politicize the Agency, which is obviously very, very important, and by your recognition of the importance of the many people who work in the VA and their opportunity, under appropriate leadership, to render great public service. I compliment you on that beginning. I think it strikes a very constructive and compassionate tone in keeping with the historic position of the first Secretary of Veterans Affairs which you have been nominated to be.

Before turning to questions I would like to take care of three items.

First, some housekeeping matters. We will now enter into the hearing record the nominee's official biographical statement, part I of his completed committee questionnaire submitted by all Presidential nominees to this committee, and February 2 letters from the Director, Office of Government Ethics and the VA's Ethics Officer to the effect that Mr. Derwinski will be in compliance with applicable laws and regulations. Those matters will now be a part of the official record.

[The documents referred to appear on pp. 82–91.]

Chairman CRANSTON. In connection with your testimony, being under oath today, as I advised you we would in my January 18 letter sending prehearing questions, we are asking that you now submit to the committee pursuant to the oath you took earlier the three sets—dated January 25, January 30, and February 2—of answers to those questions that you submitted previously, and that you acknowledge that these written answers, as well as any you

will provide in writing in specific followup to this hearing, are submitted by you under oath.

Please submit them. Do you agree now that they are being provided under oath?

Mr. DERWINSKI. I do.

[The letters referred to appear on pp. 92–100.]

Chairman CRANSTON. Thank you very much.

Finally, before we go forward with the questioning, I want to address the way in which certain controversial issues have been investigated by the committee, the chronology and extent of that effort, and how that investigation will be reflected in the record of this hearing.

I note at the outset that Frank Murkowski, our ranking minority member, and I worked extremely closely and very cooperatively throughout the process in trying to secure answers to a number of difficult questions.

It was on December 22 that then President-elect Bush announced his intention to nominate former Representative Derwinski to be the first Secretary of Veterans Affairs. Shortly thereafter I asked committee staff to begin to determine the nominee's record while in Congress on veterans' matters, and generally to gather necessary background information, including the record of his two prior confirmation hearings before the Senate Foreign Relations Committee, so that the committee could proceed with the confirmation hearing in a timely fashion.

As most of my colleagues know, the Oakland Tribune published an editorial about the nominee on December 28, 1988. This editorial charged the nominee with a "record of service in an organization riddled with former Nazi collaborators," and raised questions about "his alleged role in passing U.S. secrets to the South Korean CIA in the late 1970s."

Subsequently there were two front-page stories in the Los Angeles Times on January 12 and 14, both of which focused on the second matter, the issue of the unauthorized disclosure of information in 1977 to the South Korean Government about the planned defection of one of its intelligence agents.

The first of these articles reported, apparently for the first time in the press, that the nominee, during a March 10, 1983, hearing of the Senate Foreign Relations Committee on his nomination to the position of counselor at the State Department, had acknowledged providing the information in 1977. We confirmed this the next day when the Foreign Relations Committee provided us with a transcript of that hearing.

To try to understand as much as possible about the KCIA agent defection matter, the committee staff and I and Senator Murkowski undertook an extensive investigation which is outlined in great detail in a document which I will place in the record and which is available at the press table.

[The investigation document referred to appears on p. 101.]

Chairman CRANSTON. As part of that effort committee staff and I, together or separately, met with or spoke with many individuals, including Members and former Members of Congress, and had two lengthy meetings with the nominee. The focus was first, on the efforts in 1977 of the House Subcommittee on International Rela-

tions; second, on the activities in 1977 and 1978 relating to the impact of the leak and investigations into the source of it; third, on the 1983 Senate Foreign Relations Committee's confirmation hearing; and fourth on the nominee's statements about what he had done in 1977.

As part of these investigatory efforts I have written a number of letters on the matter to President Bush, the Attorney General, the Counsel to the President, and the House Committee on Standards of Conduct, and submitted two sets of prehearing questions to the nominee specifically on this matter. He has responded to each.

Committee staff have reviewed much material relating to the issue, including materials relating to other committees' involvement in various aspects of the matter and numerous press reports. The nominee's published writings have also been studied.

Finally, yesterday the committee held an extensive closed meeting to discuss certain classified and sensitive information arising out of the FBI background investigation and to talk with the nominee about certain parts of that information. I discussed with the members of the committee my very serious concerns about certain aspects of the KCIA matter and heard the concerns of other members. We then questioned the nominee under oath for an hour and a half.

As I have already noted, this is a historic nomination and I felt an obligation for the committee to pursue all material issues in a thorough, fair, and judicious manner. I believe that the chronology that I have outlined and that is set forth in detail in the document on the press table demonstrates how I have sought to fulfill that responsibility. I felt and feel that this obligation is independent of any scrutiny that any other committee has given any relevant matter pertaining to this nominee.

This is the only committee of the Congress which has been charged with the responsibility of making a recommendation to the Senate as to whether or not this nominee should be confirmed to head the second or third largest department of our Government and to sit in the Cabinet with the President of the United States.

I want to stress that the investigation we have conducted has been both intensive and extensive and has stretched over many weeks. Some very serious questions developed in the course of our inquiry, and I have felt, in fairness to the nominee, that it was necessary that neither I nor staff make any public statements about those questions. I have not done so, nor has the staff.

We have felt strongly that his reputation and record should not be sullied by rumors or innuendo. It was only yesterday morning that, after reviewing certain highly classified materials, I was able to put to rest in my mind— and I think Frank Murkowski was able to put to rest in his mind—one salient question that we had about the nature of the communication to the Koreans.

In many instances our search for evidence in this area has been like looking for the proverbial needle in the haystack, but I am convinced that we have exhausted all available avenues of exploration, including efforts to obtain access to the 1977 grand jury records in a timely fashion.

I want to note further that our extensive inquiry has caused some to misunderstand the nature and purpose of our concern and

to criticize our efforts. I reject any such criticism and feel very strongly that our very thorough and painstaking process was necessary and appropriate and that the serious questions that we felt it necessary to consider so fully were real and highly germane. Moreover, there has been totally unwarranted criticism of the committee majority staff's efforts in this matter, all of which have been carried out at my direction with my specific approval and with my full knowledge.

I am confident that there have been no leaks from the staff, nor will there be.

We have sought for two reasons to carry out our inquiry and get as much information as possible prior to the hearing in documentary form: First, to give the nominee a chance to respond in a thorough, considered, and fully accountable form to certain difficult questions, and second, to seek to have the hearing focus as much as possible on programmatic issues involving the Department of Veterans Affairs.

So that the record of today's hearing will reflect fully and properly the investigation we have carried out on these two issues, I will insert into the record some key press accounts of these matters and copies of the many letters I and Senators Murkowski and Specter have written or received in the past 2 months relating to these matters. These letters are also being made public today, along with all of my prehearing questions and the nominee's answers. These materials are on the press table.

[The press reports and letters referred to appear on pp. 104–180.]

Chairman CRANSTON. With reference to the charge raised in the Oakland Tribune editorial of alleged associations by the nominee with groups "riddled with former Nazi collaborators," we have looked into the assertions raised in the editorial and questioned the nominee about this matter in person and in writing. The FBI has made a special supplemental report on this allegation at my request. Based on what we learned in that process and from the nominee and the FBI investigation, and assuming no further information is uncovered on this charge, and I expect none to be, I am satisfied that the nominee has done nothing wrong in respect to that issue.

On the KCIA defector matter, I do not intend to take a position until the time of the vote tomorrow.

Before beginning the question period I would like to ask Ed Derwinski if he would like to make any supplemental statement on the Nazi association allegations and on his role in the KCIA defector matter, and tell the committee his present views on his actions in the KCIA matter.

Mr. DERWINSKI. Thank you, Senator.

In the documents that I turned over to you there are, as you know, the complete answers we supplied to the questions on the 18th, so I won't go into that in great detail.

On the first issue that was raised, the question alleged anti-Semitism and rightwing extremist contacts, I should point out that the history of that is very innocent. I happen to be a rarity, along with Senator Murkowski. We are Republicans of Polish extraction, something of a rarity in American politics. As such, ever since I became politically active and a Republican official, I have been

used by the Republican Party to campaign among ethnic groups across the country. That has been an avocation. I appreciate the fact that campaigning for ethnic votes is generally considered to be the expertise of the Democratic Party. With the Republicans, it was always a lonesome road. But that was my assignment since about 1956; in every national election I have been engaged in that kind of effort.

In the process, I have encountered all sorts of people and worked with all sorts of organizations. The charges that appeared in that article by the way, appeared in a number of papers across the country earlier during the campaign in which I was never mentioned or cited; it was just belatedly, I guess, that I was added to a long roster. I think that the investigation which took place confirmed that no record of anti-Semitism or rightwing membership or extremism on my part exists. I think my voting record in Congress stands up very well under any scrutiny. I have friends, especially in the Jewish-American community, who would be pleased to testify to that effect if ever needed.

So I believe that issue has been pretty well put to rest, but I thank you for allowing me to raise it.

On the Korea issue, let me first point out that the specific question and allegation raised in the press 12 years ago is that I had provided information to the KCIA that could have jeopardized the defection of an individual, one of their officials who basically had defected to the subcommittee of which I was the ranking member.

I would like to make it clear that, in my mind, the key point was that I never then knew the man's name, rank, serial number, location, or anything about his occupation. What I did do in an encounter with a Korean official—a diplomat, not a KCIA member—I can say this now but I didn't recognize it then, was making the mistake of commenting in the form of a complaint about how the next problem they would encounter would be the appearance of one of their defectors testifying before our committee.

This was in a period of an extremely supercharged political atmosphere involving anything Korean. That was the so-called Koreagate era of 1977-78, and all things Korean or related to Korea, especially any of their activities in the United States, were somewhat sensationalized. It was in that context that I felt I was accurate at the time in objecting to what I thought was the committee's misuse of the issue. It was in that feeling of frustration that I made what I have since acknowledged, especially in the 1983 testimony before the Senate Foreign Relations Committee, with the luxury of hindsight, was a comment I never should have made.

At the time, though, I guess it was in the debate of the time and I just didn't give it that much thought. I never thought then and I honestly do not believe now that I ever endangered anyone or ever was part of an effort to either interfere with the committee's processes or obstruct justice in any way.

I would emphasize, Senator, that I completely understand the responsibility that you and Senator Murkowski, as the ranking members, and the other committee members felt in going into these two subjects in great detail. I appreciate the responsibility you have to the new VA Department. Quite frankly, while I would have preferred a slightly less contentious month or two leading up to the

confirmation, I am now starting my 33d year in Government service; I have a reasonably thick skin. I understand the process and I understand your responsibilities. I have been personally pleased with the way the matter was handled and I have no complaints, no criticism. I might add that this happens to be the only—I would call it "difficult issue"—that I have ever been accused of in my entire public career. It is something that you handled in great detail and properly, and I hope that we can properly dispose of it and that therefore I could meet your special interest in concentrating on the responsibilities as Secretary of the new Department.

I thank you, sir.

Chairman CRANSTON. Thank you very much.

Frank, did you have any comments?

Senator MURKOWSKI. Along those lines, Mr. Chairman, I think it is appropriate to point out, and perhaps I should point it out, that there is a great deal of information associated with the examination of a candidate for the appropriate Secretary level. But after going through the material that was presented to our committee by the various groups involved, whether it be the FBI or others, I would strongly suggest—and I would suggest this to my colleagues, as well, as Mr. Derwinski—if you are ever deposed, it is in your best interest to maintain your own tape of the conversation because one of the great difficulties that occurred in the examination of your material was the reality that you were interviewed by various individuals, some of them FBI individuals, who took notes and then did their own transcription. The difficulty is in being in a position where much of that material is classified. You don't know what we've seen and you don't know what somebody wrote and you don't actually have a record of what you said, an incredible inconsistency in the system.

We had a discussion in our closed session about this procedure, and I think it has a reflection on the Tower nomination as well. For those who are observing this process it is clear to me that the protection that an individual has is really the ability to have a tape of his or her actual deposition during the time it is occurring, because in your case, Mr. Derwinski, there are portions of the testimony that indeed represent a difficult time by this committee in communicating to you our knowledge, which is preferred knowledge; and your inability to see or have any idea of what we've seen, and the fact that during the time that you were deposed, you did not—as very few of us would—sit down and say, "I insist on having my own tape of the conversation."

So maybe for future references along this line we can all learn from the process, and I'm sure that you, sir, have learned it and that in the future you are going to keep your own file of your depositions.

I thank the Chair.

Chairman CRANSTON. I want to thank Frank Murkowski. I will remember that, and if I ever need to rely upon that advice, I will.

We will now start a 10-minute question period for each member.

Ed, I join in your recognition and commendation of Tom Harvey, which you made in your prepared statement. I've known Tom for a number of years and have always enjoyed working with him, when he was with the committee as chief counsel under Al Simpson,

when he was the general counsel of USIA, and most recently during his tenure as Deputy and now as Acting Administrator of Veterans' Affairs. I know that Tom will do well in whatever he next chooses to do.

Further on the subject of deputies, I congratulate you on your choice of Tony Principi for Deputy Secretary. It is no secret that I have great admiration for Tony's talent, insight, judgment, and character. Although I regret losing him as a constituent, I am delighted that he is coming back to veterans' affairs matters. In fact, it seems that he never left.

I was also very pleased to note numerous references in your prehearing answers to your intention to place substantial reliance on your Deputy Secretary. In that regard I note that one of the criticisms of the last Administrator was his establishment of a management structure that relied on a chief of staff. In that structure, the chief of staff acted as a barrier to access between the Administrator and other top officials in the VA, including the agency's top department heads. We have seen that same situation occur all too often in the White House.

Is my understanding correct that you do not intend to utilize such a management structure?

Mr. DERWINSKI. Absolutely correct. Frankly, I was trained as a Congressman. As a Congressman you never duck people. You see them, you shake their hands, and so forth. I'm going to have a totally open door. I will so structure my staff that almost anybody will be able to get through to see me. I would rather err on the side of seeing too many people than not seeing enough. When I say that, I mean that all of the veterans' organizations will always be welcome. I will have personal consultation with Members of the House and Senate. I think that's the only way to operate, frankly.

Chairman CRANSTON. I appreciate that, and I think that we who have the opportunity to serve in Congress do really learn that lesson. If we don't, we don't stay here very long.

Will your Deputy Secretary, then, be your principal deputy in running the Department?

Mr. DERWINSKI. Yes. In fact, we want to go a bit beyond that. We're going to try to be innovative. While we haven't completely formalized it yet because we're both in the designee status, we have talked about totally sharing the staff. In other words, there won't be the Secretary and his staff, and then the Deputy and his. We will be a total unit. We think that will provide better coordination and keep us working together without any accidental glitches. We also think it is a way of achieving the streamlining that we'd like to see at the top level of the VA.

Chairman CRANSTON. I take it from your response to my earlier question about access that the Chief Benefits Director and the Chief Medical Director will have direct access to you?

Mr. DERWINSKI. Yes. Frankly, I have been a little reluctant to date to assert myself in any special way under the restrictions of merely being the designee, but yes. In fact, all of the Assistant Secretaries will have direct access to me: the Medical Director, the Benefits Director, the Memorials Director. They will all have access.

Chairman CRANSTON. That's fine. Thank you.

As we have discussed, the VA is experiencing a monumental shortfall in the medical care account. Based on the information I have received, I am convinced that the shortfall will be at least one-half of a billion dollars in fiscal year 1989, and will exceed $1 billion in fiscal year 1990.

Currently thousands of veterans are being told to go elsewhere after years of receiving VA care. Numerous programs and services, such as home care, VA and community nursing home care, and alcohol and drug treatment centers, of all things, are being cut back or eliminated altogether.

In January I was joined by 40 Senators in a letter to President Bush urging that he send up a 1989 supplemental request and that he substantially increase the fiscal year 1990 budget request.

In response to prehearing question 31 you said that you have discussed the current medical care fiscal crisis with OMB Director Darman and the President. What were the circumstances and outcomes of each of those conversations?

Mr. DERWINSKI. Please keep in mind that this response is about 4 weeks old. We have had subsequent contacts.

I have to tell you quite honestly that the first go-around wasn't at all satisfactory to me. What happened was that in the period from the delivery of the Reagan budget to the State of the Union, which was primarily a budget address by the President on the 9th of February, there were limited consultations. I did speak to Mr. Darman at the OMB. I did discuss with the President the broad feeling of the veterans' community on the budget constraints, and he is therefore aware of it.

Subsequently we developed a much better pattern of communication. As a matter of fact, within the next day or two I will be sitting down with Mr. Darman and Chairman Montgomery and, I believe, a number of the Senators to start taking a hard look at the VA part of the overall budget constraints. While I appreciate the fact that Mr. Darman does have the entire budget to look at and has no favorites, I intend to make the cause of the VA budget my cause. Frankly, I hope to have a fair batting average by the time the year and the budget negotiations are over.

Chairman CRANSTON. Am I correct in assuming that those conversations with Mr. Darman and the President, at least some of them, were face to face, not by telephone?

Mr. DERWINSKI. They were face to face. As a matter of fact, also, last Friday Tony Principi, the Deputy-designate, met with a number of OMB officials and went into some detail. I had two earlier meetings with Mr. Darman. I have a number of them scheduled down the road.

Chairman CRANSTON. In your response to that same question you describe your intention to see that the VA is treated fairly in the budget process and you stated "I am sure that we will not always receive all that we desire."

According to yesterday's Washington Post you told the American Legion on Monday that you "doubt we have a shot at" getting the Bush administration to approve the supplemental for fiscal year 1989.

Was the Post accurate in that story?

Mr. DERWINSKI. Yes. As I understand it, as of this moment we have no commitment from the administration. I couldn't very well state the administration's position in the affirmative when no position has been taken.

There is also one very broad point that I have been trying to emphasize in my meetings. By the way, you will remember that in the last 2 or 3 weeks we have had the DAV, the Blind American Veterans, we've had the Paralyzed Veterans, we've had the American Legion, and next week we have the VFW. I've been meeting with all of them. The one point I've been trying to make to them is that I would rather err on the side of some doubt as to the final outcome of the budget battle than to have them go home with false illusions. I think it would be unfair to paint too rosy a picture.

So I have made the points publicly and privately that I will do the very best I can. Over the long run I expect to do very well, but I cannot at this point commit myself to you, obviously, or to our veterans' organizations that we will meet all their expectations. It was in that sense that I tried to paint the picture of the overall budget situation.

Chairman CRANSTON. Given the clear and urgent need for supplemental fiscal year 1989 funding, why do you believe your request will not be approved?

Mr. DERWINSKI. I think it's too early to tell what the entire Gramm-Rudman budget constraints will be as to the flexibility of Congress. I appreciate the fact, however, that we—when I say we, I mean the Administration—will be negotiating with Congress, and in that case members of this committee and I will be allies in trying to negotiate the fairest possible share for the VA.

One of the things I've done with Mr. Darman is to stake out the point that we wanted to be consulted and involved in the negotiations rather than merely be watching from the sidelines.

Chairman CRANSTON. It seems to me that we shouldn't get into the mode of an effort to wrest funds from Congress in the first instance. There should be a request from the administration for supplemental funds that are needed, which would facilitate an appropriate response in the Congress.

Mr. DERWINSKI. I think in principle you are correct, but I think the realities are that a bit of congressional initiative will be quite helpful.

Chairman CRANSTON. That there will be.

What further efforts will you be making to pry loose from the administration approval for supplemental 1989 funding for the VA?

Mr. DERWINSKI. What I am going to try to do is based, first of all, on some quick trips to the field that I will be taking to try to be able to demonstrate—obviously I must do it to OMB, but then I have to do it to my contacts through the entire Cabinet—the urgency and the practicality of investing in the VA in the areas of our obvious shortfall. There is a national health crisis in the sense that inflation shows up more dramatically in medical costs than most other fields. Obviously, the medical services of the VA suffer proportionately, so we can't just treat it as in some mathematical formula for a routine increase based on the cost of living, for example, when the escalating cost in the medical field wreaks havoc

with the VA medical budget. I think that's a fact of life, and it's my job to make that point clear.

Chairman CRANSTON. The Post article stated that you had cautioned veterans to lower their expectations about the new Department of Veterans Affairs and quoted you as warning veterans that "we aren't going to be the priority group in the Bush administration."

Are we to conclude that you have already determined that this administration does not consider the needs of our Nation's veterans to be one of its top priorities? And if so, on what do you base that conclusion?

Mr. DERWINSKI. I was just pointing out the obvious, that with all the conflicting claims on the budget—obviously, it could be anything from defense to health care in general to the emphasis on combating drugs, where the VA will be a part but not the dominating force—that there are so many other competing groups for somewhat limited Federal funds that we could not be the priority group. I think that's an accurate assessment.

Chairman CRANSTON. Do you believe that veterans should be a top priority group in this administration's planning and thinking, and that you can succeed in making it so in the course of time?

Mr. DERWINSKI. I think that veterans should be top priority. Not only should they be, but they deserve it, and under the law there are certain obligations and benefits in the medical field that we must meet. Under no circumstances can we fall short of those obligations.

Chairman CRANSTON. You believe that you will, in the course of time, be successful to a significant degree on this front?

Mr. DERWINSKI. May I limit myself to saying that I expect to have a very good batting average.

Chairman CRANSTON. Thank you.

I now call on Frank Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Obviously this is a confirmation hearing and we're very anxious to get into the budgetary shortfall and find out what kind of magic you are prepared to do. But unlike people who may have a crystal ball, you are probably not a magician. Sometimes that appears to be the best alternative, although not a practical one, obviously.

So I am going to defer a little bit and wander over into another area that is pitted with land mines and everything else, and that's the issue of health care for our veterans, which is our obligation, of course.

When that system was designed, it was designed for the very best care associated with reconstruction, spinal cord injuries. We built hospitals throughout the country, some of these hospitals are now obviously in need of replacement. Yet, in the last 30 years or thereabouts we have suddenly found ourselves with about 9 million veterans coming on line who will be 65 years of age. I am told that there are some 100 domiciliary homes or homes for our aged veterans, obviously not even a slight capability to handle the volume. Yet there is nothing in the budget to address this.

As I said in my opening remarks, as we prioritize the changing needs of veterans we run into the reality that there are those who don't want to see any changes in any programs. There are new hos-

pital requests that come before this committee, yet there are areas of the country with hospitals that aren't utilized. There is a reluctance to move outside the established VA system. But something is going to have to give, and it would seem to me that the most crucial areas of prioritization are the aging of America's veterans and the total inability to meet that responsibility with a program that is workable, let alone conceivable.

Do you have any ideas of how we're going to approach this?

Mr. DERWINSKI. I expect to have these ideas shortly. In the process of elevating the VA to a department the Congress also provided basically 6 months for a reorganization period. In my mind, that gives us a dramatic opportunity to review all existing programs to see how some could be updated, some could be more imaginatively administered, and some could be better funded. I expect to be sitting down with the relevant House and Senate committees very early as we reach conclusions on where we need support. I don't know any other way, frankly, of using this reorganization period but to try to improve our services to veterans.

I am quite optimistic that the end result will be that we will be able to come up with the necessary suggestions. It's obvious that we will have to do this within the overall budget debate, but we understand the responsibilities and we will try to meet them.

Senator MURKOWSKI. OK. Well, I'm not going to take advantage of this opportunity, but at the end of the magic 6 months I intend to ask you whether you're prepared to make recommendations that we reduce the number of hospitals that we're operating or that we utilize hospital facilities in the private sector or that we face the reality of placing veterans in domiciliaries that are near their homes operated by the private sector under contract, because I am told that we have 133 facilities in this Nation and we have 9 million veterans over the age of 65. We have an obligation to take care of those veterans. Is the place to take them in the hospitals that were built for reconstruction? Or is the place to take care of them in new domiciliaries that are to be built somewhere in the regions of the hospitals, and have the veterans move from their homes to these general areas? Or are we going to contract with the private sector to provide them in the communities where they reside?

Mr. DERWINSKI. I have to correct one small misconception for which I may be responsible. I don't want to imply that our decisions are 6 months off. I intend to be making decisions as soon as I possibly can. I don't believe in study of any problem for study's sake. Anywhere that we have enough data, enough record, enough evidence on which to base some policy recommendations and decisions, we will be reporting to you.

Senator MURKOWSKI. Well, I will ask you no later than 6 months from now. How's that?

Mr. DERWINSKI. Fine.

Senator MURKOWSKI. I have a number of questions here but rather than prolong this process—I know my colleagues would like to make some statements, either short or long—I'm going to defer and submit these questions to you. But I think the more practical realities are that we're going to have an ongoing relationship. We're going to see a lot of one another. You are the guy on the firing line. I would urge you to communicate back to the represent-

atives of the veterans' organizations. We all love them, but their job is to come in ask for more. Their job is not the reality of this committee, to ultimately try to get as much as we can, but go back and have to work with what we have. If you can convince those people on the line who are out serving the veterans to bring their input as to how you can work better with what we're ultimately going to have, then I think you would be doing the very highest service in giving the kind of service that we want to provide, not only from this committee but through your responsibility as Secretary of Veterans Affairs. It's not going to be an easy task, by any means. These people are doing their job by asking for more for America's veterans, but indeed you have to walk the tight line of producing when you can never have enough.

Chairman CRANSTON. Thank you very much, Frank.

Senator Matsunaga?

Senator MATSUNAGA. Thank you, Mr. Chairman. We still have the representatives of the veterans' organizations to testify, so in order to shorten the hearing as much as possible I will submit my questions in writing.

Mr. Secretary, we ask that you respond in writing to the questions which I will submit.

There are so many general statements being asked which cover points I wanted to make, so I am going to be a little parochial now because I depend on my constituents back home to be in a position of questioning you here today.

Nearly 2 years ago this committee investigated allegations that Hawaiian veterans were seriously underserved in the area of health care. A special VA task force subsequently confirmed the allegations and recommended, among other initiatives, that a 165-bed freestanding VA medical center be established on the island of Oahu.

You are aware, of course, that Hawaii and Alaska are the only two States without VA medical centers.

After much delay Administrator Turnage recently agreed to approve advance planning work on the project. If work proceeds in a timely fashion and subsequent approval is given for construction, the hospital should be completed by 1996 at the latest.

As the new Secretary of Veterans Affairs, I am hopeful that you will be supporting the proposal made by Administrator Turnage. Of course, I don't expect you to have studied all these little things, especially parochial things such as this, but to Hawaii it means a lot. I would appreciate your looking with favor upon this project.

Mr. DERWINSKI. At the risk of sounding too paternalistic, Senator—it's hard for me to call you Senator; I'm so used to calling you Sparky—but at the risk of sounding paternalistic, I did take a good look at these issues affecting your State and, quite frankly, my first reaction was, why won't it be until 1996 that that hospital is finally functioning? If we could find ways to move up that timetable a little bit, we will try. So I am cognizant of it.

Also, knowing you as well as I do, I don't think you are parochial at all. When I look at the voting results that you bring in, I think you must have convinced all of your constituents you are a great world statesman. It reflects yourself in your momentum.

Senator MATSUNAGA. Thank you. You still talk like a good friend. [Laughter.]

Mr. Chairman, in the interest of time I yield my time.

Chairman CRANSTON. Thank you very much, Sparky.

It is now my pleasure to call on a former chairman of this committee and a fellow whip in Senate responsibilities, Senator Alan Simpson.

Alan?

OPENING STATEMENT OF SENATOR SIMPSON

Senator SIMPSON. Mr. Chairman, thank you. Indeed, my relationship with you is one I cherish. We've had some great and good results here and they have always been done in a spirit of good faith and comity and without partisanship. Even though you have saved me from jumping off the cliff a couple of times, I have managed to waddle off there anyway and probably will do so again because it is such a tough job.

I want to thank the chairman for the executive session we had which I think was very good. Most of us were there, without any record. We honestly discussed these things and the two remaining issues, one of which was just the height of absurdity with regard to the issue of racism and Nazism and all that. It didn't even deserve a response, it was so absurd, and I think everyone agreed to that.

I was a bit disturbed after seeing how the reports came out early on from the California papers. I assured myself through our fine majority counsel, Jon Steinberg, that that did not emanate from him. It emanated from somewhere; we will just leave it at that. It's done and I don't think any of us, as thoughtful legislators, are going to spend much time dabbling around in what happened in 1977, especially since you were under the gun a couple of times since then in these Chambers. We have to keep that kind of thing in perspective here. We lose track of that.

So I want to thank the chairman and the staff, both the majority staff and the minority staff, Al and Frank Murkowski, the ranking member. I think things are on course now and I think that's where they should be. But I must say it was disturbing for me to review the FBI reports and then see the things that happened versus the appearance of things that happened.

It's a strange thing going on in Washington now, a disturbing propensity of digging up old stuff on human beings, stuff they did when they were 30 or 40 or 50 or 12—I don't know. Good Heavens, I don't know where we'll go from there. But it really is absurd, and it's very demeaning. I don't think it has anything to do with what we do now. Certainly in my own life the Simpson of age 57 is a lot different than the Simpson of age 17 or 27.

So that has been disturbing, and you wonder who the scorekeepers are. I don't know whether it has to do with the great numbers of staff persons now or what, but I'm going to handle it from now on in a very adept way. I'm just going to ask the examiners the same questions they ask the examinees. We'll have some fun with that in the future and see whether they ever slipped from grace or whatever happened or made a mistake. What an absurd situation

it is, one that should make all of us on both sides of the aisle concerned.

I hope, Mr. Secretary, that it would be that you will communicate to the veterans of the United States when you get this job. I am a veteran. I'm a lifetime member of the VFW; I'm very proud of that. I'm a member of the American Legion and AMVETS; I'm very proud of that. I hope you will communicate to the veteran population and to the Nation that we do a hell of a lot for veterans in this country. It is absurd to sit in this committee day after day, month after month, and think that we don't do anything for the veterans of the United States of America. That's one thing that triggers me. It's $30 billion that we do per year for 27.3 million veterans. I don't know another segment of our society that receives that kind of attention.

We have done more for the Vietnam veteran than any veteran in the history of our wars, and it was largely done by Senator Al Cranston and Senator Al Simpson. So it's a tiresome thing to listen to the continual drumfire and watch the continuing flow of movies cranked out of Hollywood about the Vietnam veteran.

The figures are stunning from that war; 8.7 million, I think, were under arms—Vietnam era veterans. The group that went to Southeast Asia was a much smaller amount—3.4 million. There were 800,000 of those who never did go to Vietnam. Of those who did go to Vietnam, only 20 percent were in armor or artillery or infantry that regularly engaged in combat. Only 40 percent of those who were in-country were exposed to enemy fire on a regular basis. And we have to go through that all the time.

I think it is offensive to Vietnam veterans that somehow each one of them is a walking time bomb or somebody half off the rail and all that stuff. It's offensive, at least to the Vietnam veterans I know and the ones who serve me on my staff and who were in combat and people like Tom Harvey and Joe Ratliff. I won't go into that.

But let me tell you, sir, you are going to be confirmed. You are a very respected former Member of Congress, but you will be savaged by the veterans, the professional fundraising veterans especially, and there is a group of those. I call them "professional fundraising veterans' groups," and I'm going to kind of prowl around in that area for a year. They savaged Richard Roudebush. He didn't do enough. They even took on Max Cleland, who left three parts of his anatomy in Vietnam, and they savaged him. Then they took on Bob Nimmo, who had only been in three combat wars in combat, and then they took on Harry Walters. He didn't meet the test. Then they took on Tom Turnage.

You are next; your pelt is next. We'll have you in a situation where it will be difficult to get you, and that will be interesting.

So I just throw that out to you.

Health care—boy, what are we going to do with that? Presumptive disease—go look at that one when you get started and see how we set up 47 or 50 categories of diseases that are presumed to have been contracted while in the service, and they are the same diseases that happen to everybody in society. It's absurd, but we'll never have a hearing on that. I wouldn't want to be here; we would never get through it.

But it's called reality. If we're going to get into this tough budget stuff, non-service-connected disabled veterans, service connected, combat versus noncombat, overseas versus those who didn't—I think we have to look into those priorities. And every time I bring that up they say it's impossible. It isn't impossible. You go get the DD Form 214 and all the other records and you can show exactly where you were. You don't have to guess.

So I think what's going to happen, we're not going to make the grade under Gramm-Rudman-Hollings this year. We might go to sequester, and when we go to sequester and they find out that half of the lack in the deficit is going to fall on the domestic budget, that we have set aside and exempted Social Security, veterans' benefits, and so on so that this whole half falls on 30 percent of the people on the domestic side instead of 100 percent, then they're going to come back and start sorting it out with these benefits again with regard to the veterans and see just exactly where that is.

I voted to do those things and set that aside, but I think those are serious issues. You're going to be right at the front of this to decide what we're going to do, but I think we're going to have to weigh it all. Health care for the aged: Senator Murkowski speaks of it, the chairman speaks of it, but one of the most disturbing things was—maybe it was just election year stuff—but last year we passed some new entitlements programs and knew we didn't have any money for them. I was here. It was really a remarkable ritual. We just toadied up to the bar and bought the drinks. We put it on the books and there is no money for it at all. Now we're going to go through a supplemental which is either going to be $314 million or $517 million, because of an absolutely election-year caper. I said at the time, what a phoney way to do business because you have a new entitlement and no way to pay for it. But it didn't matter.

And now the veterans out in the land are letting up a roar, especially some of the professional fundraising veterans' groups, and here we go again. We'll put up that money and we'll work the system around some more. You're going to be right in the middle of it. But with your good common sense—and you have that—and your remarkable great good humor and your great patience, being a skilled legislator, I think you're going to do a fine job and with great integrity.

I don't have any questions. Most of those have been asked.

Meet with them. I do that. I meet with those groups, even the ones that are violently opposed to what I say. They say, "We're irritated at you, Simpson." I say, "Well, invite me to your national meeting, then. I'll wander right in there and I won't jump in the car when I'm through. I'll stick around and try to answer questions."

So you will be accessible, and the fine veterans' organizations with honest intent will deal with you well. Those that simply ask for more all the time, as the ranking member said, you will never satisfy, nor should you. And I will help you to avoid that onslaught if I can, realizing fully the political hazards therein obtained.

Thank you.

Chairman CRANSTON. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

A couple of questions, Ed.

I am a strong believer in the Veterans' Job Training Program. There was legislation that in fact strengthered the program last year. Over the years in West Virginia we've had more than our share of unemployment; 5 or 6 years ago it was up to 21 percent. Now it's down to close to 9 percent. Unfortunately, that's partly because a lot of our people have left the State, so there are fewer unemployed to count. But employment is a major issue in my State, and you know that. You've got the same problems in your State, a little less intense on a statewide basis.

I would like to ask for your support for the Veterans' Job Training Program and your view of it.

Mr. DERWINSKI. I do support the Veterans' Job Training Act. I would be pleased to sit down with you, though, at your earliest convenience and have you point out in a constructive manner where it could be improved and what else we could do.

May I also take the opportunity in answering your questions to make one comment about Senator Simpson's observations?

I have told the veterans' groups that they have to draw a line between gripes and constructive criticism. My door is going to be open to any constructive criticism that anyone has. If we could be shown that there is a better or more expeditious or more effective way of dealing with a program or a portion of the veteran community, we'll do it. But I hope that we won't be distracted by the griping kind of approach.

I'm not implying that at all in your question, Senator. I just wanted you to understand that if anybody has a legitimate observation, a suggestion as to how we could better improve services, we will do it.

Now, in job training, I understand from my years in politics the special complications that you have in West Virginia. I'd be very pleased to work with you and your staff experts to see if there is anything we could do within current jurisdiction, or look for improvements in the law to see how we could address it better.

I should add, by the way, that last week in an unprepared effort I wandered into the VA Medical Center at Martinsburg and made a surprise call. I just came in unannounced. It's a very impressive facility and I think it's serving your constituents well and those who live in neighboring counties of Maryland and even parts of Pennsylvania. I was impressed with the overall effectiveness of the staff effort as I saw it. I will be doing more of that, by the way. If I could be of specific assistance to any Senator in looking at the conditions and facilities in their States, I personally will be pleased to do it.

Senator ROCKEFELLER. That sounds characteristic of you. There's just nothing like a drop-in visit from a Cabinet-level official. There's nothing that compares. There's nothing that shakes up the troops more, and I think there's nothing that gets more results, particularly when it is unannounced. I applaud you for that and I agree with you that it is a magnificent facility.

Mr. DERWINSKI. I'm not exactly a household figure, so when I walked in and showed my ID the gentleman handling the reception desk picked up the phone and said "There's somebody from central headquarters here." So I started with great fanfare. [Laughter.]

Senator ROCKEFELLER. You know, I reflect on what Senator Simpson said. I can remember when my wife and I were driving back from Pocahontas County, which is in the eastern part of our State. It's about 5½ hours away from Washington. We have a farm there. About the last hour of it, Senator Simpson was on National Public Radio talking about this whole question of presuming to be owed something. He expressed his views of the sense of entitlement on the part of all Americans. He talked of his moral sense that people have to get out and do the best they can for themselves.

I've told this to the Senator, and he knows it. In fact, my wife and I arrived in front of the house that we were renting at that point and just stopped the car and sat and listened for about half an hour. There is a tremendous moral strength to what he said.

On the other hand, I remember when I was Governor of West Virginia we had a program called the Golden Mountaineer Discount Card Program. It was for seniors, and it allowed them, on a voluntary basis, to get discounts in stores. It's not an unusual program, but we didn't have it in West Virginia so I started it. Members of the legislature were annoyed. They said, well, that means that there are going to be a lot of wealthy older people in West Virginia who are going to be getting discounts at stores, and that isn't philosophically or morally right. So I said fine, we'll just do a little check on incomes of older people in West Virginia. We discovered that 96 percent of them would fall under our definition as poor and 4 percent would not.

In the business of welfare, there is a lot of talk about welfare cheating in this country. We ran figures on that when I was Governor of West Virginia and we came up with about 2 percent in 1 year and in another year it was 3 percent. That 2 and 3 percent can dominate national headlines when you find somebody who is really doing a hell of a job at it, but for the most part people from Appalachia have known difficulties and hardships. They have worked hard. They live with a certain degree of fear because the possibility of failure or the possibility of losing a job is always around the corner. If they haven't lost a job this month perhaps one of their relatives had, and they fear the same tragedy next month.

So within that context I treat it seriously, as does Senator Simpson. When people come to me with problems it is my assumption that they are telling me what's in their heart. If I find otherwise, I note them down in the notebook of my memory and I don't forget it. But I haven't collected that many notebooks in 20 years of public service.

That brings me to PTSD. That is still real. That's real. I've been with a lot of Vietnam veterans—I've watched them, observed them, talked with them, seen some of them break down in describing their experiences, and found very few phoneys in that group. They need help.

I wasn't in the Vietnam war, didn't serve in it, but it must have been painful for those who did, and I think that for many the psychological scars are real. I'm not so sure how easy it is to falsify a psychological scar.

In any event, I would hope that your commitment in this area is real because I know it's crucial. In West Virginia we have a very

high percentage of our people who served in the Vietnam war. A greater proportion of West Virginians died in Vietnam than those of any other State, which is not to say that West Virginia is better than other States. It is simply to say that a lot of people served, a lot of people died, a lot of people came home scarred and they need help. If you don't have a job and you carry scars, it's a hell of a combination.

I would just add that I sincerely hope in these coming years you will be sympathetic to, and understanding of, those problems.

Mr. DERWINSKI. I appreciate your comments, Senator. When I made my courtesy call on you some weeks ago you made those points. In fact, I was impressed with something you told me: I really didn't realize that an abnormally high percentage of West Virginians serve in the Armed Forces. That's a source of great pride to your State.

I also want you to know that when I made my courtesy call on Senator Mitchell, he made the same points.

As far as I am concerned, we are going to try to do the budget battle, but more than that we are going to try to be practical in our administration so that any worthwhile program won't be cut. I think it's a challenge and a responsibility and I am reasonably confident that we will do it well.

Senator ROCKEFELLER. I am, too.

A final question, Mr. Chairman.

This relates to the VA's debt collection procedures, and we discussed this when you and I talked privately. I think it's an area that you responded to sympathetically.

The VA, in debt collection procedures, restricts the amount a veteran can pay an attorney defending himself or herself against debt collection action. There are some remarkable examples of this, a lot of them. There is James Sullivan—I'll just leave his name at that—who is a Vietnam veteran. About a year ago the VA told him that he owed the Government $15,000, and they told him to repay it within 90 days.

Now, he didn't know that he owed $15,000. He had no idea why he owed $15,000 so he picked up the phone and started to work on it. This so-called debt, in fact, stemmed from the foreclosure of a VA-backed home that he—that is, Jim Sullivan—had sold 6 years prior to that time. He never missed a mortgage payment, and if there was any money that was due, it was certainly not from him.

There are a lot of cases like this. When those cases come up it becomes a nightmare. If the veteran can't hire a lawyer he has to defend himself, and that's what all veterans in this situation have to do.

There was a court case last Friday in the Federal Court in Virginia in which the VA stated and affirmed its current position on whether veterans accused of owing money to the VA can hire an attorney in the first stages of the collection process, and the answer was no, they couldn't. Obviously, the news was very disappointing to a lot of people.

I guess my question would be that you be sensitive to this. I think that it either requires an administrative remedy, if that is possible, and if not, a legislative remedy. I don't think that falls into the category of boondoggling. The VA can make mistakes;

large agencies do. Computers can go wrong. People can be wrong, and people can be harmed by that kind of a mess-up.

So I would ask for your concern and your sympathy about that in your search for administrative procedures that might make the system better, and if not, your understanding if we try to do it legislatively.

Mr. DERWINSKI. Senator, I think that is exactly what I meant when I made the point of welcoming constructive criticism and suggestions. If you will just give me a few weeks to get settled in, assuming that I will be confirmed, I will be happy to sit down with you and your staff and take a good hard look at this.

Nothing that we inherit is so totally sacred that it can't be reviewed and studied to see if it could be handled better. That's the approach I'm going to use.

Senator ROCKEFELLER. I'm glad, Ed. And I will look forward to voting for you.

And I thank you, Chairman Cranston.

Chairman CRANSTON. Thank you, Jay.

Now we turn to the former President pro tempore of the Senate, Strom Thurmond.

OPENING STATEMENT OF SENATOR THURMOND

Senator THURMOND. Thank you very much.

Mr. Chairman, I want to thank you for having this hearing, and I think that the quicker we can expedite this nomination, the better.

I've known Mr. Ed Derwinski for a number of years. I've been on trips with him. I feel he is a well-qualified man to serve in this position. He has 32 years of public service. I believe he served in the Illinois State House of Representatives for 2 years, served in the Congress for 24 years, and then at the Department of State, I believe, for about 6 years.

He is a man of character and integrity. He is a man of dedication. He is a man of imagination. He is a man of compassion. He is deeply interested in the veterans. In my judgment he will fill this position with great care and with stability and thought for the welfare of the veteran.

[The prepared statement of Senator Thurmond appears on p. 181.]

Senator THURMOND. I just have a few questions here for Mr. Derwinski.

Mr. Derwinski, over the next 4 years what kind of support generally do you anticipate the Department will give to veteran-related medical research?

Mr. DERWINSKI. I am told, Senator, and I have no reason to think that the information I have to date would be inaccurate, that one of the great areas of VA success has been in research. Certainly, I would support it, only with the obvious admonition that it will be subject to our budget constraints. I will be supporting that excellent record and history of the VA in medical research.

Senator THURMOND. As the percentage of the over-65 veteran population increases, medical support will presumably focus more on health care problems related to aging veterans. Do you know

whether the Department has any plans for medical research related to the diseases and health care problems which the older veteran population faces?

Mr. DERWINSKI. I believe we do, Senator. But more than that, the fact you cite is a very clear one, that the veteran population is aging. After the World War II veterans reach an older age, as they are now, they will be followed in just 10 years by the Korean war veterans. Therefore, of necessity, we have to have special research and special programs and services for the aging veterans.

Senator THURMOND. You know that I care very deeply about the health of our Nation's veterans. I am sure that you will agree that the provision of quality clinical care is integrally linked to quality research in our laboratories. I believe opportunities exist for sharing not only VA clinical facilities, but research facilities as well, in much the same way that they share clinical facilities with the Department of Defense.

To be on the cutting edge of medical achievements may require new partnerships, for example, with State medical schools and State institutions. Do you think that joint Federal-State ventures in the area of medical research are a direction in which the Department should consider moving?

Mr. DERWINSKI. Anything that could be proven effective for our veterans is worth our consideration. Since the Congress has made it clear that it expects us to enlarge the sharing of facilities with the DOD, I think the concept of sharing of research facilities is a practical one. To the extent that we can, I'm sure that we'll be looking at it.

Senator THURMOND. I introduced a bill along this line. If you will make a note of it, it's S. 165. If you would give that careful consideration, I would appreciate it.

Mr. DERWINSKI. Thank you.

Senator THURMOND. So often we, as Members of Congress, hear about what the VA is not doing or has failed to do. I appreciate the work of the VA and commend you for the services you provide to the veterans of this country. I understand the difficulty of your work.

Could you share with us some of the positive things the VA has been doing over the past few years that you feel should be continued, or any innovative ideas that you may have?

Mr. DERWINSKI. What I hope, Senator Thurmond——

Senator THURMOND. If that's too long an answer, you can answer for the record, if you like.

Mr. DERWINSKI [continuing]. Is that in the 6-month period we have to reorganize in the process of becoming a Department we're going to look at all of our programs, and wherever possible we'll be using administrative changes, hopefully of an innovative nature, to improve service to our veterans.

Earlier in my comments to the panel I pledged full consultation with the relevant House and Senate committees. I will emphasize that point.

Senator THURMOND. Do you have any suggestions on how the disability compensation and pension programs might be improved?

Mr. DERWINSKI. Not at this point, but I will be happy to give it very immediate attention.

Senator THURMOND. Do you have any specific suggestion on what we as Members of Congress can do to assist in this problem in addressing some of the concerns of the country's 27.3 million veterans?

Mr. DERWINSKI. I will renew the pledge I made earlier, that I expect to consult continually with Congress. I served long enough in the House to know the value and the effectiveness of consulting with Congress if a Department or Agency wishes to have good cooperation. I need the cooperation of the relevant committees, and you have my pledge that I will be consulting with you regularly.

Senator THURMOND. Over the past couple of years the Department's home loan guaranty program has experienced an increasing inventory of foreclosed homes and related problems. Do you have any thoughts or suggestions on long-term solutions for the program?

Mr. DERWINSKI. Senator, I think we have to keep in mind that part of the problem, of course, is regional. There are parts of the country that suffered from economic setbacks, and then proportionally the number of defaults in veterans' loans increased.

I think in keeping with a review of the percentage of defaults and so on, as I go through the program when I have my opportunity to review it, if I feel there are either legislative changes or administrative changes necessary, I would report them to you. I will do so as soon as we get a handle on it.

Senator THURMOND. Some people feel that some of the veterans' organizations are just out trying to get more and more for the veterans, whether they deserve it or not. I don't feel that way, and I would suggest you listen carefully to the Veterans of Foreign Wars and the Legion, the Disabled American Veterans, AMVETS, and others—there are five or six other veterans' organizations. You may not agree with them, but I would suggest you give an attentive ear and listen to them and get their recommendations because I do think they would be very helpful to you to learn their programs and confer with them.

Mr. DERWINSKI. I intend to do it. I have promised the veterans' organizations they will have an open door, and I am interested in working with them. Obviously I won't agree with every point that they make, but we will have excellent communication, I assure you of that.

Senator THURMOND. Thank you very much.

Thank you, Mr. Chairman.

Chairman CRANSTON. Thank you very much.

Now, Senator Arlen Specter.

Arlen.

Senator SPECTER. Thank you very much, Mr. Chairman.

At the outset, I regret that I could not be here earlier. It's been a very crowded day, as so many are, with the hearings on the Drug Czar and also with the nomination of Senator Tower pending. A great deal of activity has been in process on that this afternoon, so I regret that I could not be here at an earlier point.

If I may take a moment, Mr. Chairman, by way of an opening statement before asking Congressman Derwinski a few questions?

Chairman CRANSTON. Please do.

OPENING STATEMENT OF SENATOR SPECTER

Senator SPECTER. I would first note Congressman Derwinski's very distinguished public record and thank him for the extended session which we had together, the so-called courtesy call early last month.

I have been concerned about two issues which have been raised in the public media, both of which have been discussed here earlier today, one involving the incident with the so-called Korean defector, and the second the press accounts of alleged associations with people with anti-Semitic overtones.

With respect to the issue of the so-called Korean defector, my concern focused on the precise nature of what occurred back in 1977. It seemed to me that it was very difficult to look into that matter in 1989 because it was an old matter, and it was complicated by the fact that there had been Senate hearings by the Foreign Relations Committee back in 1983 which had approved Congressman Derwinski. It had an unusual circumstance of an executive session which was secret, and then some of it put on the record, so that we do not have the full text of what had happened in the executive session.

I noted also the confirmation of Congressman Derwinski in 1987. Both of those confirmations, it ought to be noted, were by a voice vote, and the committee activity really constituted the core of what the Senate had undertaken on both situations.

It seemed to me and to others that we ought to have access to as much information as we could about the 1977 incident, and the best way to obtain that information was to get the records of two investigations which had been conducted at that time. On that subject I would compliment the chairman, Senator Cranston, and the ranking member, Senator Murkowski, for their diligence in pursuing those documents.

We sought to have the grand jury records made available, but those were not available to us. It seemed to me that there was a strong case to be made for having a Senate committee in a confirmation proceeding to have access to those records, but that was not the judgment of others and apparently not the judgment of the court. It may be that we will revisit that subject with an amendment to the statute which governs grand jury proceedings.

There was also the inquiry made by the House Ethics Committee. They purported to make available to us what they had, which was a scanty file. I had a question in my own mind as to whether there was anything more there, but I can understand the concerns about making anything more available in that particular context. So we proceeded on the basis of the information which we had available.

We did have some matters which we could review, curiously, where we were not permitted to make them available to Congressman Derwinski, nor was Congressman Derwinski able to obtain them from the executive branch. I think that circumstance ought to be noted here. When we proceeded in executive session yesterday to go into those matters with Congressman Derwinski, I expressed a concern—as I had in our private meeting early in February—as to the fairness of the treatment of Congressman Derwinski

in being questioned about matters where he did not have full access to the information which the committee had.

Toward that end, I had written to Boyden Gray on February 8, 1989, asking that Congressman Derwinski have access to the materials. Mr. Gray responded to me on February 14, 1989, and I wrote him back on February 16, 1989 because it seemed to me that the response was insufficient. And then Congressman Derwinski wrote to me on February 17, and also to Boyden Gray on February 17.

Mr. Chairman, I would ask that those letters be made a part of the record so that this issue will be fully set forth in the printed record.

Chairman CRANSTON. Arlen, I already put those in the record.

Senator SPECTER. Fine. Once is enough.

I set that forth in some detail because I think it is important for the public to know the concern of the committee and the extent to which we went to try to find the information. I know that you have already testified to what occurred back in 1977, and I would like to go into it in a very, very abbreviated form at this time, Congressman Derwinski.

As I understand it from your testimony yesterday, the essence is that you had a meeting on the steps of the Longworth Building with a Korean political officer, and that in the course of that discussion—and now I read from the notes that I took yesterday—you used the term "blurted out" that "it was not bad enough that there was a concern with Tongsun Park, but now they will have a defector, as well."

Is that the essence of what you testified to yesterday?

Mr. DERWINSKI. Yes, that's the essence of my testimony.

Senator SPECTER. Is there anything more to it that you would care to add today?

Mr. DERWINSKI. I had earlier, and I'd be pleased to sum it up for you, Senator, that this was in the context of what at the time was sort of a dramatic, supercharged political debate labeled "Koreagate." Anything having to do with the Korea issue had political overtones. I was serving as the ranking minority member of the subcommittee involved in one phase of the investigation, and I had an ongoing political disagreement with the chairman and especially the majority staff as to where the investigation had been going. In large part—frankly, from my foreign affairs background—I was very seriously concerned that the committee, by what I considered an overexaggerated and overintense interest, was damaging United States-Korean relations, and therefore United States security interests in that part of the globe. That was my mindset. It was just a determination of mine at that point.

So when I was told that the committee itself was going to harbor a defector, I objected to both the procedures of the committee itself and to the fact that the committee would get into that kind of operation. It was in that specific, basic timeframe that I had this conversation with the gentleman who, I believe, was a political minister—I think that was his precise assignment, political minister at the embassy—in which I added, as you just noted, that "it's bad enough that you've got all these other issues and problems with United States-Korean relations; you're now going to have the

added public relations problem of the committee receiving testimony from a defector."

Subsequently there was all sorts of debate as to whether or not this had somehow endangered the gentleman. I honestly didn't think at that time, nor do I now, that I had endangered him. I also, however, acknowledged that it wasn't a very wise thing for me to do; in fact, it was a rather stupid thing for me to do. Obviously if I had to do it all over again, I wouldn't do it. But in the context of the political atmosphere and debate within the committee it was just the way I reacted at the time.

Senator SPECTER. Now, was that the only contact you had on that day, September 15, 1977, or at any other time with anybody from the Korean Embassy, making a disclosure or specifying anything to identify the so-called defector?

Mr. DERWINSKI. I have no recollection at all. I am confident that I had no other contact with anyone from the Embassy on that issue.

Senator SPECTER. And we had covered yesterday, and I think it worth mentioning just briefly, the information which had come to the attention of the committee in the form of an allegation as to a telephone contact at about 7 o'clock or shortly thereafter that evening which you were alleged to have had with someone from the Korean Embassy.

My question is, did that occur?

Mr. DERWINSKI. I do not believe so, Senator. I have absolutely no recollection of any such call.

Senator SPECTER. And as you characterized it yesterday and here today, it was just a blurting out, nothing calculated or thought through or deliberate or intentional on your part?

Mr. DERWINSKI. That's correct. Frankly, I didn't even think it was a major issue or subject. It was just another passing part of the ongoing committee interest and the ongoing committee debate. I just attached no special significance to it.

Senator SPECTER. In that conversation or at any other time did you in any way identify that so-called defector which would have enabled a Korean Ministry official to make a specific determination as to who that individual was?

Mr. DERWINSKI. No. At that time I didn't know the man's name, job description, location, anything. I just knew nothing other than that a so-called defection was to take place or had taken place.

Senator SPECTER. Well, Congressman Derwinski, it's my understanding that both the ethics investigation and the grand jury investigation were closed out because any pursuit of them might have involved sensitive matters. But in any event, they were both closed out, and not in a way which was adverse to you. They were simply closed out for whatever reasons there may have been.

On the basis of all we have in our efforts to find it out, essentially it is as you have conceded, a blurting out. On the record that we have it seems to me that there is nothing malicious or intentional as to what you did. The Foreign Relations Committee made that decision in 1983 and it seemed to this Senator and others on the committee that we had a duty to go beyond that, to make an independent determination beyond what was done in 1983 or in 1987.

The full state of the record is as you have characterized it. Based on that full state of the record it is my conclusion that the incident, when contrasted to your long and otherwise unblemished and distinguished record, is not a disqualifier for the nomination. I wanted to say that at this time while we are dealing with the issue.

I know you have already responded to the question about the articles on the so-called anti-Semitic or discriminatory attitude, but I would appreciate it if you would just give me a thumbnail response to that.

Mr. DERWINSKI. As I mentioned when we had our private meeting, I'm sort of a rarity in the Republican Party ranks by being of Polish background. Ever since I came onto the political scene, I've been used by the Republican National Committee as a spokesman to all ethnic groups, primarily Eastern and Southern European, basically to campaign for our party among ethnic groups.

I was absolutely amazed when I was subjected to that charge. Actually, the issue itself had been raised earlier against the Bush campaign. There was a rather extensive number of articles in which I was never cited; in fact, in one Senator D'Amato and I were mentioned as "proper officials" working in that phase of politics.

Senator SPECTER. I hadn't realized that. You were joined together with Senator D'Amato?

Mr. DERWINSKI. Yes.

Senator SPECTER. That may put another light on this entire matter.

Mr. DERWINSKI. Al and I did a few appearances together, as frankly I do with others. Frank Murkowski and I were on the trail together.

Senator SPECTER. Well, that's an entirely different light, then.

Mr. DERWINSKI. But actually, that phase of that story was so totally without foundation that—I've had more people offering to testify on my behalf on my record of legitimacy on ethnic and racial areas. I even have an old constituent, a rabbi who is now in London, who called to ask if he could testify on my behalf should the issue become a touchy one.

So my voting record in Congress on those issues speaks for itself, I think. That was a press story. I'm a big boy; I've been hit before and I'll be hit again with press allegations. That was another phase of it.

Senator SPECTER. Well, I think it is important that the issue be addressed because it has been in the media. I might say that I have had quite a number of calls on your behalf from people who know you, giving me the informal comments as to your very good record on all these related issues. Many people have come forward and attested to your good qualities on those subjects.

Congressman Derwinski, on the substance of your job, I would not disagree with any of those who have said that you should not do things which are unwarranted on behalf of the veterans, but I would hope that you would be an advocate for the veterans. Within the structure of the Government, that tends to be the reality with each Cabinet officer fighting as hard as he can for his own constituency. I think there is a constituency of a sort. Obviously, if you are confirmed, you will be a Cabinet officer representing the U.S.

Government, but there is also a quasi-advocacy that I, for one, hope you will undertake.

I note you nodding in the affirmative. I would be interested in your response to that issue.

Mr. DERWINSKI. I think that being an advocate is part of the assignment of being the Secretary of Veterans Affairs. I can't think of it in any other practical way. I have had, in the period I have been Secretary-designate, extensive contact with the veterans' organizations. We are starting off on what I think is a very good relationship. As a veteran myself and understanding their needs, I see no reason why over the long run serving as Secretary wouldn't give me an opportunity to effectively improve the services to which the veterans are entitled. I think of it as part of the job, to be an advocate for the veterans.

Senator SPECTER. Well, I appreciate that response.

My time is up, and I will conclude with just a very brief statement at this point.

I note that the budget submitted by the Bush administration is slightly lower than that submitted by the Reagan administration. I would ask you to inquire into that. I will provide to you privately, and not take up the time of the committee, quite a number of issues which we have in Pennsylvania at the facilities on Pittsburgh University Drive and at the Highland Drive installations and the Philadelphia VA installation at Wilkes-Barre, at Coatesville. And I know you have already said in response to Senator Rockefeller that you would be traveling to visit these locales. I would like at this time to invite you, assuming your confirmation, to come to Pennsylvania and take a look at some of the specific problems we have there, both in the interest of my own constituents but also the fact that they are illustrative of problems across the country and, of course, Pennsylvania is very close.

And may the record show that the witness nodded in the affirmative, Mr. Chairman. [Laughter.]

Chairman CRANSTON. The record will so show.

Senator SPECTER. Thank you.

Chairman CRANSTON. Arlen, thank you, and I thank you for your remarks about the work the committee has done and for your part in covering some ground that we had to cover.

We now go to the newest member of our committee whom we welcome to the Committee on Veterans' Affairs, Senator Jeffords of Vermont.

Jim?

OPENING STATEMENT OF SENATOR JEFFORDS

Senator JEFFORDS. Ed, it is good to see you again. I appreciate you giving me some company on this side of the Hill. I also appreciate very much being on the committee and I look forward to working through these very difficult days.

I understand most of the questions that I would have asked have been asked, and I certainly appreciate the questions and your testimony with Senator Specter.

There are a couple of areas that I would like to go into. First, there have been questions dealing with health care and the prob-

lems of reduction in health funding. I also remember our conversations, and I would just like to go on the record with these, that you agreed with me that we need to do better planning and coordination of planning within the VA to let the veterans know what is in store for them as we go forward so that we can get a better idea, instead of keeping chipping away, as to what the administration has in mind to provide our veterans. I'd just like to give you a chance to respond to that for the record here.

Mr. DERWINSKI. We're going to have to look at this in the short run and the long run. In the long run I expect we will do well. I would like to think that I could do a good enough job as salesman within the Government and in public for our veterans so that we ultimately could get the focus on the veterans' needs that they deserve.

In the short run, since we will be going through a reorganization of the Department as provided in the legislation, I'm going to try to find ways for administrative reform and improvement so that we could maximize the use of our current resources, aside from how we'll be faring in the overall budget battle.

Senator JEFFORDS. Thank you.

The last area I would like to get into is a very touchy one and a very difficult one. It has to do with the problem of Agent Orange. I have worked very closely with the Vietnam veterans on this issue, trying to get a more forceful policy established within the administration of their awareness of the problems for which there is reasonable evidence to believe are being created by Agent Orange. I have worked with them. I am well aware of the lawsuit that was brought and the comments of the judge at that time, that it was up to us in Congress to try to establish a better policy, as a very unsatisfactory determination was made in that particular lawsuit for the purposes of the Vietnam veterans.

As the Secretary of the Department of Veterans Affairs you would have the authority under current law to provide presumptive disability compensation to Vietnam veterans suffering from disabilities reasonably associated with exposure to Agent Orange.

In the past, the Veterans' Administration has refused to use this authority and has vigorously opposed congressional efforts to mandate such compensation and improve VA programs in this area, in spite of the fact that VA policies require that veterans' claims be resolved in favor of the veteran. When there is a reasonable doubt, claims should be resolved in their favor.

At the same time, the VA provides disability compensation to veterans suffering from other disabilities that have limited evidence linking them with military service, including former POW's with spastic colons and veterans who contracted AIDS during military service.

Many respected independent scientists, experts in the fields of epidemiology and medicine and biochemistry and statistics and dioxin research, have stated that some of the disabilities, including non-Hodgkins, lymphoma, and soft tissue sarcoma, have already been associated with Agent Orange exposure, at least to the point of reasonable evidence indicating causal effect and evidence suggesting the problem is growing.

I would like to know what your attitude as Secretary would be toward looking into these issues and whether or not we can count on you to try to pursue the authority you have if the evidence is reasonable to award disability compensation to veterans who suffer from these diseases that are known to be associated with dioxin.

Mr. DERWINSKI. Jim, in answer to your question about the specific way in which I would approach things, I come to this assignment without any preconceived positions. I have a wide open mind. I am not locked into a position for or against any controversial program or any controversial policy of the VA.

I'm going to ask that we take a good hard look at every one of the positions that we've had in the past.

On the specific case of Agent Orange, I've had a preliminary discussion with our mutual friend, Admiral Zumwalt. I consider him knowledgeable, objective, and obviously very interested in the issue, and I intend to follow up and see if we could take a look at the legal position as well as the policy situation within the VA and reopen it for my total review.

Senator JEFFORDS. I would hope that you would do that. And I know Admiral Zumwalt, of course, who has had personal experience with it with his son, has some strong views on this.

It just seems to me on this particular issue, that even though it does create problems with respect to possible international ramifications as well as ramifications at home, that in a situation where we knowingly expose our servicemen to this risk—there may be debate on that issue, but that's my conclusion—that we should have a strong policy to resolve issues in favor of the veterans. I wanted to give you my personal view from my own experience with this issue in having examined it over the years, especially in view of the rather unsatisfactory resolution of the court case brought on behalf of the Vietnam veterans for all the problems which are related to this issue.

Thank you, Mr. Chairman.

Mr. DERWINSKI. If I just may comment, earlier Senator DeConcini politely commented that he thought I would have one of the toughest jobs in Government. I understand that. I don't intend to walk away from any inherited issue that I find at the VA. I will meet it head on and walk in with an open mind and no commitment or conviction for or against any current issue that the VA faces. I want to look at things and review them objectively.

Senator JEFFORDS. I appreciate that answer.

Thank you, Mr. Chairman.

Chairman CRANSTON. Thank you very much.

Let me say that I am going to put on the record the discussion of certain matters which can appropriately be made public that were discussed in yesterday's executive session.

I'm going to come back to some of the VA issues, but now I do want to cover some of the ground gone over yesterday in the executive session and covered in part by Arlen Specter, who has asked some appropriate questions very carefully today and yesterday. Even though I may be going over some of the same ground, as chairman I simply want to exercise my own responsibilities and make certain that the answers to some of these important matters are very, very clear on the record.

So going to that, Ed, you told the Foreign Relations Committee in 1983 as well as this committee in your written responses of January 25 and February 2 that you did not know the name or duty station of the defector, and did not communicate the name or duty station to the South Korean Government. Are you certain, absolutely certain, that both of these statements are accurate?

Mr. DERWINSKI. Absolutely, sir.

Chairman CRANSTON. Did you communicate anything about the location of the duty station to the South Koreans at any time before the defection?

Mr. DERWINSKI. No. I have no knowledge of it.

Chairman CRANSTON. You are absolutely sure of that?

Mr. DERWINSKI. I am absolutely sure.

Chairman CRANSTON. Prior to your departure for Bulgaria on September 16, 1977, did you learn the name, the duty station, or the city in which the potential defector was stationed?

Mr. DERWINSKI. No. No, I did not.

Chairman CRANSTON. When did you first learn the duty station and name of the defector?

Mr. DERWINSKI. Probably at the time when the press speculation and the stories broke which, if my recollection is correct, was late October 1977; and in terms of precise detail and official knowledge, when the gentleman testified before the committee some months later.

Chairman CRANSTON. Do you recall when you learned anything about a prior duty station of the defector?

Mr. DERWINSKI. No, I don't recall when. No, I don't have any recollection of when I may have known anything about that.

Chairman CRANSTON. Did you have any information about prior station before you went to Bulgaria?

Mr. DERWINSKI. No. No, I did not.

Chairman CRANSTON. Do you believe you've been candid about this 1977 incident in your contacts with the press, especially in 1977, 1978, and 1983?

Mr. DERWINSKI. I have been as candid as the circumstances permitted. Many times the statements attributed to me in the press were merely answers to reporters shouting questions as I walked by to the House. I did not issue any statement and I did not hold an interview. In fact, until this confirmation the only official statement I ever made on this subject was in the 1983 Senate hearings.

Chairman CRANSTON. Do you believe you were candid with the FBI in 1977 and in 1989?

Mr. DERWINSKI. Yes. Yes, I believe I was, Senator.

Chairman CRANSTON. To reiterate, you told the Senate Foreign Relations Committee in 1983 and this committee in your January 25 and February 2 written responses that you made only one communication to the South Korean Government in September 1977, relevant to this matter. Are you certain of this fact?

Mr. DERWINSKI. I have absolutely no recollection of another communication.

Chairman CRANSTON. Are you really saying that there was no other, or that you just have no recollection?

Mr. DERWINSKI. I don't believe there was another. I am confident that there wasn't.

Chairman CRANSTON. Might you have made a communication to a third party who communicated what you communicated to that person to the South Koreans after your initial communication directly to the South Koreans?

Mr. DERWINSKI. No, I'm sure there was no use of a third party or any incident involving a third party.

Chairman CRANSTON. What did the Korean official say to you in 1977 when you mentioned that the next problem would be a defection? Did he ask for more information?

Mr. DERWINSKI. I can't recall any phase of the conversation other than my own, the points that I believe I made. I tried to explain my concern over the public relations factor when the committee would utilize such an individual. I do not recall any other phase of that conversation. I do not believe that he asked me—in fact, if he did ask me anything such as name, and so forth, I didn't know them anyway, so he wouldn't have had any information from me.

Chairman CRANSTON. And he didn't ask you to get such information?

Mr. DERWINSKI. No, sir. I have no recollection of anything like that.

Chairman CRANSTON. As you testified to Senator Specter when he asked you, you made no phone call in any way relating to this matter to the South Koreans? Is that correct?

Mr. DERWINSKI. I am positive I didn't.

Chairman CRANSTON. And no one acting for you made any such phone call, is that correct also?

Mr. DERWINSKI. You mean, made it for me?

Chairman CRANSTON. Yes.

Mr. DERWINSKI. No, sir.

Chairman CRANSTON. Do you believe that your 1977 communication to the South Koreans was wrong?

Mr. DERWINSKI. I have labeled it "dumb." It certainly was not good judgment.

Chairman CRANSTON. You have called it a mistake, even if you don't call it wrong, I believe.

Mr. DERWINSKI. Well, not wrong in the sense that it was malicious or had any negative intent at all. Obviously, when I look back, the way this issue has risen from time to time in my career, I wish I hadn't done it. But again, that is hindsight, as I keep saying.

But no, there was no motive other than frustration with the process that prompted me to make the comment when I did to the individual that I did.

Chairman CRANSTON. Do you think now in retrospect that it was something you should not have done?

Mr. DERWINSKI. I should not have done it, that's right. But as I say, I attribute it more to the ongoing political debate I was going through in the committee. I really didn't give thought to any other factors.

Chairman CRANSTON. In a letter dated February 9, 1989, Senator Murkowski and I asked you to provide us with an answer to my prehearing question to you about your specific testimony to the grand jury in 1977. Will you now please answer that question by telling us what testimony you gave to the grand jury in 1977?

Mr. DERWINSKI. I appeared before the grand jury. I obviously retained counsel. And after giving my name, on instructions of counsel, any further questions that were proposed I asked for permission to step out and consult counsel. In each case, after identifying myself or acknowledging my identity, I answered with a basic answer referring to the speech and debate clause.

After I don't recall how many questions were asked, I don't believe more than three or four, I was asked if that would continue to be my response. At that point I again consulted counsel, who told me to advise the attorney asking the questions that that would continue to be my response.

Chairman CRANSTON. Would you explain what the speech and debate clause means to you, as you understand it?

Mr. DERWINSKI. As I understood it, it meant that as a member of the legislative branch of Government, I was making a point of possible interference by the executive branch into my duties and responsibilities as a member of the legislative branch. But actually, it wasn't my decision or legal strategy. That was all on advice of legal counsel.

Chairman CRANSTON. I gather that the speech and debate clause since then has been much more narrowly interpreted by the Supreme Court and would not now be available as it was then for the uses you made of it.

Did you testify only once before the grand jury?

Mr. DERWINSKI. To my recollection, yes. I'm sure it was only once, yes.

Chairman CRANSTON. I now want to go back to some matters relating to the VA and your responsibilities there. In order to try to move along, if you could give the briefest possible answers that are responsive, I would appreciate it.

In the recent past there has been a problem with VA officials having open access to congressional staff. I am sure that from your many years in the House and from your time at the State Department you appreciate the value of open communications between Department officials and the congressional committees and their staffs. Do you intend to foster such open communications?

Mr. DERWINSKI. Yes, and I would like to remind you that my Deputy is an old hand at the Senate. He obviously has good rapport with the staff, and that will be continued.

Chairman CRANSTON. Yes, that will be very helpful.

What is your timetable for assembling the rest of your team at the VA, most particularly the Chief Benefits Director, the General Counsel, and the Assistant Secretaries?

Mr. DERWINSKI. The Chief Benefits Director—my understanding is that there is a committee procedure to approve him.

I have given no thought whatsoever to making any changes at this point in the Chief Medical Director and Chief Benefits Director. I am concentrating on the Assistant Secretary positions. We will be clearing that list soon with the White House.

Chairman CRANSTON. Prehearing question 11 concerned the issue of your availability to testify before congressional committees when invited. Is my understanding of your answer correct, that you do intend to be available to testify when requested and anticipate no difficulties in that regard?

Mr. DERWINSKI. I understand the need for, I welcome, and from my own experience I respect the processes, so I will be available.

Chairman CRANSTON. I congratulate you for your statement in answer to prehearing question 12, that you intend that the CMD will be responsible for the day-to-day management and operation of the VA health care system. On occasions in the past, heads of the VA have failed to follow that very wise approach and the results have been uniformly unfortunate, so I am glad that you are going to behave in a different way.

In your response to prehearing question 13 you expressed the view that the VA must be "a leader in health care research." I agree with you 100 percent, but it seems clear that OMB does not see the VA in that role.

Are you concerned about the VA's ability to lead effectively in research when the administration has proposed to cut its funding for research by over $10 million from fiscal year 1989 to fiscal year 1990, as contrasted to proposing to increase HHS research by $350 million in fiscal year 1990?

Mr. DERWINSKI. I recognize that one of my major headaches will be my relations with OMB. It's part of the job, though, and I intend to meet them head on and try to change their minds whenever I possibly can.

As a layman, I appreciate the value of medical research.

Chairman CRANSTON. I believe the VA has a unique opportunity in research, particularly in cooperative efforts with universities and others, and whatever we can do together to move that forward, not backward, I think is very, very important.

I appreciate your answer to prehearing question 18 insofar as it addresses the relationship between the inspector general and the Secretary. However, your answer did not address your views on the issue of the appropriate relationship between the VA's IG and the Congress. Frankly, that has been a problem in the recent past. Far too often the appearance has been that the IG is only to function as a part of the management team at the VA and is not also responsible to the Congress.

What are your views of the responsibility and the relationship of the VA inspector general to the Congress?

Mr. DERWINSKI. I would expect any top-level official in the VA to be responsive to the Congress. I have no difficulty with that at all.

Perhaps this is the right time for me to make this point. I called on GAO the other day. I invited them to initiate reviews of the VA. We want constructive analysis by them, and we welcome it.

The IG will be available to Congress once he or she is selected.

Chairman CRANSTON. The IG does have a special responsibility to Congress. If you would review that role and respond a bit more in writing about how you see that working out within the next 24 hours, I would appreciate it, just on that topic.

Chairman CRANSTON. In response to prehearing question 23 you stated that "any arbitrary, across-the-board personnel reductions in the new Department would simply be unthinkable." I couldn't agree more with that statement; however, in your January 25 response to question 30 concerning the 1-percent productivity increases which have persistently been required in all recent VA medical care budget requests with the effect of major personnel re-

ductions—for example, a 1,962 FTE cut proposed for fiscal year 1990 under the Reagan budget—you seemed to indicate that you might be able to endorse such a strategy.

In my view, the 1-percent productivity increases and related personnel reductions for which no supporting justification has ever been produced, despite repeated requests from this committee, are precisely the sort of arbitrary, across-the-board personnel reductions that you describe as unthinkable."

Now that you have had more than a month to reflect further on this matter, can you tell us whether you support this kind of staffing and funding reduction in the name of so-called productivity?

Mr. DERWINSKI. I have not had a chance yet, Senator, to really come to grips with it in the sense that I am very limited in what I can do as a Secretary-designate. But this is an area of concern to me. Years ago I learned of the fragile nature of across-the-board calculations, and I want to take a good hard look at this. I will do so, and may I add, I will do it expeditiously.

Chairman CRANSTON. I think that is an important matter for you to think through. Since we expect you to be testifying before us on Monday, if you could be ready by then; and if not, by midweek on that point.

Mr. DERWINSKI. We will give you as much as we can on Monday.

Chairman CRANSTON. Thank you.

In prehearing question 20 I sought your views on the emphasis you will place on VA drug and alcohol treatment programs in light of the national crisis we are facing on that front and the priority that both the administration and the Congress have attached to combating substance abuse problems. The President has been very emphatic on that matter, including in his inaugural address.

I also note that in a December 1 letter to Dr. Gronvall I had expressed my dismay that VA medical centers—at least four, and we've just received word that as many as eight—have shut down their substance abuse programs, and that by allowing this the VA was shrinking from its responsibilities, especially in view of the statement in the administration's own fiscal year 1990 budget documents: "The Department of Veterans Affairs will maintain treatment programs for veterans suffering from drug dependency."

In your response you didn't state your views on that particular subject. I want to underscore this afternoon the great importance that I attach to efforts to make treatment and rehabilitation services available to veterans with chemical dependencies. I am extremely disappointed that the VA, which has had such a good record of national leadership in this field, is cutting back in this area at a very inappropriate time and referring many veterans to community programs that are already overbooked and have such long waiting lists that the veterans can't get through.

I would like to get your views as to whether you believe that the VA, in view of the national priority that has been clearly established on combating substance abuse, should attach a priority to doing all that it can—the VA—to maintain its substance abuse programs as opposed to letting individual medical centers decide to close them down?

Mr. DERWINSKI. I will review that with Dr. Gronvall. But more important, Senator, I am hoping that in the emphasis that is

placed by the President and the emphasis placed by the Congress in creating the position of so-called Drug Czar, when there are increased budget allocations to combat the drug problem overall, that the role of the VA in research is legitimately recognized and we get our fair share of whatever budget allocation should flow to that area. The VA is an acknowledged leader in drug treatment, and we want to keep that position of leadership and responsibility.

Chairman CRANSTON. You know, it really makes no sense for the VA to be cutting back on that front. It's a national crisis, not only the drugs but the crime and the human tragedy that comes out of it. The VA can play an important role. It has played an important role. It will not play an important role if this is cut back, so I think that's one matter you should have very high on your priority list.

Mr. DERWINSKI. I agree. That aspect of it will have my personal attention.

Chairman CRANSTON. Fine.

I would also like to know, as I urged in my December 1 letter to Dr. Gronvall, whether the VA has requested OMB to approve a $15 million fiscal year 1989 supplemental request for VA programs as was authorized in the Anti-Drug Abuse Act of 1988. Has that been done?

Mr. DERWINSKI. I don't recall, but may I give you that Monday, if I can?

Chairman CRANSTON. Yes, please do.

Also, has the VA requested the additional $15 million for 1990 as authorized by the act last year? If you don't know that, if you could let us know that Monday also.

Mr. DERWINSKI. OK.

Chairman CRANSTON. And do you personally support such additional fiscal year 1989–90 funding for this purpose?

Mr. DERWINSKI. You know, I have taken a public position on the subject of our fiscal year 1989 supplemental, and possibly our fiscal year 1990 supplemental——

Chairman CRANSTON. I'm talking about the specific and relatively minor amounts for drugs.

Mr. DERWINSKI. I haven't focused on those but again, as soon as I look at them, I will communicate with you.

Chairman CRANSTON. I'd like to have that within 24 hours, your personal view of this money for drugs.

I wrote you on February 2 asking, assuming your confirmation, that you plan to be the administration's witness at the committee's budget hearing, now scheduled for March 6, and to be prepared at that time to respond to certain specific budget-related prehearing questions that you declined to provide specific answers to prior to today's hearing because you didn't feel that you had sufficient time to study the matters in question.

Assuming your confirmation, do you still plan as indicated in your February 3 response to be the witness at the March 6 hearing and to provide answers to the questions then?

Mr. DERWINSKI. Yes. If confirmed, I intend to be the witness on the 6th.

Chairman CRANSTON. My February 2 letter also made reference to a number of specific prehearing questions relating to your views and plans on overall policy on management of the VA. Again,

these were questions on which you declined to provide specific answers today because you intend to look further into the matters raised.

In my letter I asked if you would submit your then-current responses to those questions by March 10. In your February 3 response you indicated that you expected the process of organizing the Department will extend well beyond the March 15 effective date. I can understand that.

While I do not disagree with that assessment—I think it is realistic—I continue to believe that many of the underlying decisions will have to be made before that effective date. Would you agree to submit your then-current responses to those questions as best you can by March 15?

Mr. DERWINSKI. Yes, and I would like to point out, though, Senator, that we have been slightly handicapped with myself and Mr. Principi merely in a designee capacity. We will be coming to grips as soon as we can.

Chairman CRANSTON. We understand that problem.

I was pleased to note in the prepared testimony of some of the veterans' organizations that you were able to arrange a meeting for them with the President at which they were able to bring their concerns to his attention in person. In addition, as you've noted, you also met with the President to urge his backing for increased funding for veterans' programs.

Against this very promising backdrop of your advocacy and your access to the President, I was very disappointed upon reviewing President Bush's budget book to see no priority at all for veterans' programs. When he had a priority to express, he knew how to go after more funds and how to express that priority as he did for Head Start, AIDS, the space station, and homeless people, all priorities which I certainly share with him. But he did not express a priority concern about veterans' programs.

Under the Bush proposal, funding for veterans' medical care and benefits administration are included in a block of programs totaling $136 billion, which he proposes to freeze at fiscal year 1989 outlay levels in order to save about $9.6 billion in fiscal year 1990. As we know, that means cuts. Freezes with inflation mean cuts.

I want to leave you with the thought that we look to you for effective advocacy, not just advocacy, and we expect you to continue to do all you can to get the 1989–90 funds out of the administration rather than having everything turned back on the Congress, as Mr. Darman has proposed.

You are in the Darman pot for cutting, not increasing, and we want the President to get you out of that pot. We expect you to extricate yourself from that pot.

Mr. DERWINSKI. I look at this first timeframe before the President's message as the first skirmish. We didn't win the first skirmish but we will be trying to win the battle down the road.

I think we will do better over the long run, Senator.

Chairman CRANSTON. Let me close by saying that we appreciate your patience and endurance this afternoon.

I would appreciate it if you could get us the two responses on the two questions that just came up by noon tomorrow regarding the VA inspector general's relationship and responsibility to Congress,

and your views on drug and alcohol supplemental funding for fiscal year 1989–90, your personal views.

Thank you very much.

Mr. DERWINSKI. I want to thank you for your personal courtesy. Frankly, having been on the other side for many years, I understand the responsibilities you face. I think this has been a worthwhile undertaking by both of us. Again, I thank you for all the work that we have put in together on this. Thank you, sir.

Chairman CRANSTON. I appreciate that and thank you very, very much.

I now call to the table the veterans' panel. It consists of representatives of five veterans' organizations: Phil Riggin and John Sommer of the American Legion; Cooper Holt and Jim Magill of the VFW; Rich Heilman of the DAV; Jack Powell of PVA; and Rick O'Dell of VVA.

I welcome each of you. I thank you for being here today. I thank you, too, for your patience. I hope you feel that your time listening to the give and take between members of the committee and Mr. Derwinski was well spent.

I know I don't have to tell all of you that this is a time both of great promise, with the establishment of the new Department, and of great problems, with the serious budget shortfalls facing the VA at present.

I look forward to your views on the nominee and to working with you and your organizations in the critical weeks and months ahead.

I would like to call on Cooper Holt first. Cooper, I understand you are retiring in the not too distant future. I hope this is not your last appearance before us in this capacity, but it has been a pleasure to work with you over all these years and I welcome you now.

STATEMENT OF COOPER T. HOLT, EXECUTIVE DIRECTOR, VETERANS OF FOREIGN WARS OF THE UNITED STATES, ACCOMPANIED BY JAMES N. MAGILL, DIRECTOR, NATIONAL LEGISLATIVE SERVICE

Mr. HOLT. Thank you, Senator. You have always been very kind to me and I appreciate it very much, sir.

Mr. Chairman, permit me to commend you and others on the committee for your efforts in realizing the long-sought goal of elevating the Veterans' Administration to a Federal Department. Finally the agency tasked with administering the entitlements of our Nation's 27 million veterans has received the authority in the statute commensurate with the vast responsibilities associated with such an endeavor.

The enactment of Public Law 100–527 attests to the commitment that Congress has in affording veterans a voice at the highest level of Government.

Mr. Chairman, I will not dwell on Mr. Derwinski's biography or background. That has already been taken care of by others. I merely wish to state, Mr. Chairman, as an Army combat veteran of the Pacific theater during World War II, Mr. Derwinski knows firsthand the sacrifices that our Nation's veterans have experi-

enced. We trust he joins the VFW in our fervent belief that veterans' entitlements are a continuing cost of war, and that we had better not forget it.

We expect Mr. Derwinski to use his strength and ability to ensure that no one will be permitted to usurp his authority or prerogative as Secretary of Veterans Affairs, and I speak particularly of the people at OMB. We are always optimistic that whoever heads the third largest Agency of the Federal Government will be the true veterans' advocate within the administration, and certainly, this is what we expect of Mr. Derwinski.

The new Secretary of Veterans Affairs is taking office at a most challenging time. All veterans' programs are under heavy attack. Specifically, the health care system is woefully underfunded and staffing levels in all areas are being reduced. The priorities of the VFW and our 2.2 million members with respect to veterans' entitlements are very simple: one, to maintain the integrity of the VA hospital and medical care system for the treatment of all veterans in need of health care; two, to maintain the integrity of the compensation program for the 2.2 million veterans in receipt of entitlements thereunder; three, the Dependency and Indemnity Compensation Program, better known as DIC, for the 1.3 million survivors of veterans killed on active duty or permanently and totally disabled at the time of death; and four, to maintain the integrity of the pension program for the more than 800,000 veterans in need due to their nonservice connected disabilities and their more than 900,000 survivors.

We believe Mr. Derwinski is well aware of the VFW's priorities. Mr. Derwinski has, as he indicated a moment ago, initiated several meetings with the Veterans of Foreign Wars since his nomination as Secretary of Veterans Affairs in order to discuss relevant issues and learn the primary concerns of the VFW. I believe that through this action he has demonstrated to us the ability and willingness to come to grips with the problems confronting veterans and veterans' programs. We certainly view this in a positive light.

Given the foregoing, Mr. Chairman, the Veterans of Foreign Wars will support Edward J. Derwinski as Secretary of Veterans Affairs so long as he is a strong and effective veterans' advocate. We wish Mr. Derwinski well and look forward to a working relationship that is beneficial to veterans of all wars who have rendered a very special service to this great Nation of ours.

[The prepared statement of Mr. Holt appears on p. 183.]

Chairman CRANSTON. Thank you very much, Cooper.

I now recognize whoever is going to speak for The American Legion, one or both, Phil Riggin or John Sommer.

Mr. RIGGIN. Mr. Chairman, John Sommer will be presenting the statement for the American Legion. We will both be available to answer any questions you may have, sir.

STATEMENT OF JOHN F. SOMMER, JR., DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION, ACCOMPANIED BY E. PHILIP RIGGIN, DIRECTOR, NATIONAL LEGISLATIVE COMMISSION

Mr. SOMMER. Mr. Chairman, we thank you for this opportunity to offer comments on the President's nomination of Edward J. Derwinski to be the first Secretary of the Department of Veterans Affairs.

Historically, The American Legion has consistently refrained from endorsing candidates for public office. Having said that, we must also say that it has been the consistent policy of the Legion that the President of the United States has and should have the prerogative of appointing officers of Government in whom he has confidence. That is certainly true of the Secretary, and on that basis we formally state to the committee that the American Legion has no objection to the appointment of Mr. Derwinski to be the first Secretary of Veterans Affairs.

We had the opportunity, as Mr. Derwinski stated, of having him address the conferees of the 66th National Veterans' Affairs Rehabilitation Conference this week, and we were pleased to hear several things he had to say. He stated, as you are aware, that it is his philosophy to maximize cooperation and coordination between the Agency and the veterans' organizations. He mentioned the problems in medical care funding, and we are also aware that he has expressed the need for a supplemental appropriation for medical care as well as for general operating expenses for staffing in the Department of Veterans Benefits for fiscal year 1989, as well as an amendment in the fiscal year 1990 proposals in both of these areas early last month. The American Legion applauds this as a step in the right direction.

The medical care funding shortfall is one of the genuine problems that will face the new Secretary and it requires immediate attention. Unfortunately, to a large degree it has been neglected and now requires drastic action. As we have mentioned in previous presentations before this committee, the cost of war does not end when the shooting stops.

The American Legion is looking forward to working with the new Secretary. We pledge to him our cooperation and assistance so long as he and the Agency are doing everything possible to work toward the good of America's veterans. We also look forward with a great sense of pride to the transition of the Veterans' Administration to the Department of Veterans Affairs. The achievement of this historic legislation has been a goal of The American Legion for over two decades, and we are certainly looking forward to it.

In closing I would reiterate the words of our national commander, H.F. "Sparky" Gierke, in his response to Mr. Derwinski's comments at our conference on Monday, that The American Legion's feeling is that the Secretary of Veterans Affairs should carry the water of America's veterans as opposed to carrying the water of the Office of Management and Budget. And it was certainly refreshing to hear some of Mr. Derwinski's comments this afternoon.

That ends our summary, Mr. Chairman. Again, we thank you for this opportunity.

[The prepared statement of Mr. Sommer appears on p. 186.]

Chairman CRANSTON. Thank you very much, John, and thank you, Phil.

Now Rick Heilman of the DAV.

STATEMENT OF JOHN F. HEILMAN, NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. HEILMAN. Mr. Chairman, I will summarize.

I appreciate the opportunity on behalf of DAV to appear here today. As has been noted, any confirmation hearing is important, of course, but this one is special and very significant in view of the soon to be elevated status of the VA to a Cabinet level Department.

We have not taken a position pro or con relative to the nominee. He is obviously well qualified to serve as Secretary of Veterans Affairs. He has had a very distinguished public career of some 32 years and, of course, he is a combat veteran of World War II, as you note.

The focus of our testimony has been on how we believe he should act as Secretary of Veterans Affairs, or how anyone appointed to that position should act, in terms of his relationships with the Hill, particularly this committee and your counterpart in the House and the veterans' service organizations, and also the employees within the VA itself.

We have had some dealings with the Secretary-designate in the past several months and our impression is that he is a man of integrity, an intelligent individual, a pragmatic man, a realist, and as has been said on a number of occasions, a man who likes to get the job done. I certainly hope that's true because he has a big job to get done, there's no doubt about that.

I wouldn't quite put it the way Senator Simpson did earlier today in terms of suggesting to Mr. Derwinski that he should be prepared to be "savaged" by the veterans' service organizations, but I guess I could just sum it up by saying that we are prepared to be a responsible critic as well as a responsible friend. I'm sure Mr. Derwinski would find no quarrel with that.

So, we are prepared to work with him, assuming he is confirmed and it is approved by the Senate. Thank you.

[The prepared statement of Mr. Heilman appears on p. 192.]

Chairman CRANSTON. Thank you very much.

Now, Jack Powell of the PVA.

STATEMENT OF R. JACK POWELL, EXECUTIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. POWELL. Thank you, Mr. Chairman. I too will summarize because of the lateness of the hour.

First of all I want to make it clear for the record that there are Administrators whom I have respected and trusted highly in the past. Some of them are still friends today, so I don't think veterans' organizations necessarily are after pelts.

PVA submitted to the Bush transition team a transition document which listed three points we thought were essential for the selection of the first Secretary of Veterans Affairs. Those three points were that the Secretary of Veterans Affairs is to be a veter-

an who has demonstrated proficiency in management at a significant managerial or administrative level in Government, industry, commerce, education, and/or the professions. Second, that he has demonstrated recognition, concern, and commitment for the Nation's veterans and veterans' affairs. Third, that he has the ability to represent the Agency before Congress, the executive branch, and the Nation in an exemplary manner.

Certainly Congressman Derwinski meets category three of those criteria. From all the testimony and the attestation of veterans that we know in Illinois, and since I knew Mr. Derwinski as a Member of Congress when he was from Illinois, and I lived there, we believe that he has demonstrated his interest and concern and commitment for veterans.

The question of the ability to manage is one which is more difficult to evaluate. Certainly, one can identify that there are vast differences between the kind of managerial questions that are required in creating law and working in the State Department, and those talents and skills that are required to run a $30 billion agency.

We believe that Mr. Derwinski will make an excellent Secretary of Veterans Affairs, but we are concerned that management ability be the foremost question that is asked of the Assistant Secretaries who now must be nominated to run that Agency.

Although it may appear to ask for more, more, more, I don't think it is asking for more when one simply asks that Congress appropriate the funds necessary to operate and provide the benefits that Congress has said in law will be provided.

It is interesting that as we sit here today the Bronx VA Hospital, which was built for 750 beds, is operating 312 beds. Less than half of their bed capacity is in operation because of their inability to employ staff.

In California two major SCI facilities just finished construction at a cost to the taxpayers of over $40 million. Neither one of them is open or operating because of an inability to provide staff and equipment.

Morale in the VA hospital system is at an all-time low. I recently had a chance to talk to seven different hospital directors from different areas of the country, experienced long-term directors who told me that morale has never been as bad among employees as it is at this time, largely because of the frustrations at the inability to do their job because of the lack of available funds.

There is another issue about which we have some degree of concern. In the first meeting that we had with Secretary-designate Derwinski and then President-elect and Vice President-elect Bush and Quayle, an issue was raised about service connection and non-service connection and treating the service-connected veteran. My understanding is that as a result of the means test legislation, for which this chairman deserves much credit, together with the work of the veterans' service organizations, there are only two kinds of people who get health care in the VA system. Those are the service-connected disabled veterans and the impoverished veterans who lack the resources to get it elsewhere.

In the Chicago metropolitan area, as an example, 76 percent of all the non-service-connected veterans receiving health care in a

recent year were single, black, elderly males at two-thirds the poverty level of income. If we, in some kind of zeal to reduce a budget requirement, throw those folks out, where do they go? And where do we go as human beings with that kind of commitment and that kind of compassion for their care?

The VA system should remain as it is. It will require tremendous leadership and tremendous creativity to keep it there. The problems are not in money alone. I will raise again the fact that 700 key managers in the Department of Medicine and Surgery are not rated, are not paid, are not rewarded on the basis of their management ability but simply on a medical specialty that they may not have practiced in the last 20 years. Something must be done about that, and that's up to the Secretary of Veterans Affairs to figure out.

We endorse Mr. Derwinski for Secretary of Veterans Affairs and we thank you for listening to our points of view.

[The prepared statement of Mr. Powell appears on p. 200.]

Chairman CRANSTON. Thank you very much.

Our final witness from the panel is Rick O'Dell from the VVA.

STATEMENT OF RICHARD E. O'DELL, VICE PRESIDENT, VIETNAM VETERANS OF AMERICA, INC.

Mr. O'DELL. Thank you, Mr. Chairman.

There are essentially two schools of thought regarding the most desirable background for a Secretary of Veterans Affairs. The first of these holds that someone with broad experience in veterans' affairs and a favorable track record with the veteran community is the most desirable. Accordingly, a Secretary with this background is best equipped to manage and, as necessary, reform the Agency with a minimum of delay resulting from a need to learn the Agency's operations.

The other school of thought holds out many of the assets in the first scenario as liabilities. As such, someone without a background in veterans' affairs would be better equipped to take an objective look at the Agency and how well its resources are targeted for the purpose of fulfilling its mission.

Whether Secretary-designate Derwinski will fall into either or some combination of both of these schools of thought remains to be seen. But if nothing else is clear, the need for a strong and effective management team at the VA is a given.

The first Secretary of Veterans Affairs will play a key role for the Agency whether or not that individual's policies are successful. This is because the tone set for the Agency as it undergoes the transition from an independent Agency to a Cabinet Department will have lasting effects, and perhaps consequences, on the VA long into the future. The practices of officials in the Department of Veterans Affairs that will be explained in the future as being consistent with "the way things have always been done" will be set by the management style and tone of the Secretary who ushers the Agency through its initial transition to full Cabinet rank.

An additional reason why strong and effective management will be needed advances from the fact that scarce Federal resources will require difficult and predictably unpopular policy choices. For ex-

ample, the VA's Department of Medicine and Surgery is operating with a resource shortfall of between $600 million and $1 billion for the current fiscal year alone. This is because what was said to be needed by the outgoing Administrator in order to provide a current services budget has proven to be misleading as that VA management team preoccupied itself with reducing VA spending at any cost.

We look hopefully forward to a new VA management team that will look realistically at what the Agency can and cannot accomplish with the resources it has available. We expect that supplemental appropriations will be added this year, but those added resources cannot be expected to completely make up the shortfall. That being so, choices must be made and an evaluation of the Agency's primary mission must be undertaken.

In this connection it is critically important that veterans with disabilities directly attributable to their military service be assured of prompt and high quality care on a priority basis. Importantly, this is not to say that the population of aging veterans should be ignored. Instead it must be insisted that the VA's first obligation is to the service disabled veteran. The VA simply cannot be all things to all veterans. Were it otherwise, the health care budget alone might be double the $10 billion already allocated.

On the subject of veterans' benefits, confidence in the fairness of claims adjudication at the Board of Veterans' Appeals [BVA], has been seriously tarnished by well-publicized practices that place greater emphasis on production than on the merits of individual veterans' claims. Some of these practices have been discontinued and others have not, but a close examination of the Board's operations and practices will be necessary if the Nation's veterans are to restore their trust in the Agency's decisionmaking integrity.

Likewise, the Agency has ignored current economic realities by allowing the home loan program to operate seemingly on "automatic pilot" while foreclosure rates have skyrocketed.

Apart from the long-festering yet largely unattended problems besetting the VA, new challenges must also be addressed in a meaningful way. The American Legion/Columbia University study and the VA's own Research Triangle Institute study have found the incidence of posttraumatic stress disorder to be far more prevalent among veterans, particularly combat veterans, than previously expected. If there is a genuine commitment to servicing disabilities associated with military service, meaningful resources must be directed toward easing this problem.

Mr. Chairman, we have aimed our comments in this testimony not at the relative qualifications of the Secretary-designate, but instead at the management issues that must be addressed. We have done so because the key issues in veterans' affairs are matters that can no longer be either ignored or placed on the back burner. These issues must be decided soon. The specific identity of the individual deciding these issues is far less important than the need for the decisions to be made.

In the event that Mr. Derwinski is confirmed, and we fully expect confirmation, we will look forward to working with him as closely as he will permit. In this connection we sincerely hope that he will permit us access to a far greater extent than his predeces-

sor, whose policies of exclusion have contributed nothing to enhancing meaningful dialog, legitimate debate, or compromise. Mr. Chairman, that concludes our statement.

Thank you.

[The prepared statement of the Vietnam Veterans of America, Inc., appears on p. 209.]

Chairman CRANSTON. Thank you very much.

I want to thank all of you for your presence, your patience, and for those helpful statements.

I have only one question for you, and it is for each of you. At 5:30, together with Frank Murkowski, Dennis DeConcini, Barbara Mikulski, Rudy Boschwitz, Sonny Montgomery, Bob Stump, Bob Traxler, and Bill Reed, I will be meeting with OMB Director Darman to urge him to approve supplemental funding requests for the VA for fiscal year 1989 and fiscal year 1990. I assure we will do our very best to emphasize how important that is.

I want to stress to each of you, and especially those of you who have been supporters of George Bush, the utmost importance that each of your organizations stresses to the new President and Vice President and the new administration your concern about this, and that you want and expect more than rhetoric, that we need budget requests and that we need strong support for those budget requests.

So let me ask you this. Can I count on each of you and your organizations to deliver that message and keep delivering that message until we get the budget request we need. I would appreciate a one-word answer from each of you, starting over here.

Mr. SOMMER. Yes. Absolutely.

Chairman CRANSTON. Cooper.

Mr. HOLT. Absolutely.

Chairman CRANSTON. Jack?

Mr. POWELL. Yes, sir.

Chairman CRANSTON. Mr. O'Dell?

Mr. O'DELL. Yes.

Mr. HEILMAN. Yes, sir.

Chairman CRANSTON. Thank you very, very much.

Now I finally announce that the committee will meet to consider and vote on the Derwinski nomination at 1:30 p.m. tomorrow in our committee room, Russell 418.

I want to thank the majority and minority staff for all of their work in preparation for this hearing. It has been a long and strenuous exercise, and we now stand adjourned.

Thank you all very much.

[Whereupon, at 4:56 p.m., the committee was adjourned, to reconvene at 1:30 p.m. on Thursday, March 2, 1989.]

MEETING TO CONSIDER AND VOTE ON THE NOMINATION OF HON. EDWARD J. DERWINSKI TO BE ADMINISTRATOR OF VETERANS' AFFAIRS/SECRETARY OF VETERANS AFFAIRS

THURSDAY, MARCH 2, 1989

U.S. SENATE,
COMMITTEE ON VETERANS AFFAIRS,
Washington, DC.

The committee met, pursuant to recess, at 1:45 p.m., in room SR-418, Russell Senate Office Building, Hon. Alan Cranston (chairman of the committee) presiding.

Present: Senators Cranston, Matsunaga, Rockefeller, Murkowski, Simpson, Thurmond, Specter, and Jeffords.

OPENING STATEMENT OF CHAIRMAN CRANSTON

Chairman CRANSTON. The committee will come to order. We now have a quorum present for purposes of discussion. When we have the quorum that is necessary to conduct a vote, we will interrupt the discussion and conduct the vote at that time.

This meeting is to consider and vote on the nomination of Edward J. Derwinski of Illinois to be Administrator of Veterans Affairs/Secretary of Veterans Affairs.

On Tuesday we had a closed executive session for over 3 hours on the nomination to discuss certain classified and sensitive information arising in the FBI background investigation, including questioning of the nominee under oath for over an hour and a half.

Yesterday we had a hearing for well over 3 hours including questioning of the nominee, again under oath, for 2½ hours. At yesterday's hearing I and the ranking minority member, Senator Murkowski, as well as Senators Specter, DeConcini, Rockefeller, and other members, spoke at considerable length about the exhaustive bipartisan investigation the committee has carried out of certain serious charges and questions that were raised about the nominee, especially with reference to the KCIA defector issue. Also yesterday, Senator Specter and I questioned the nominee closely about the issues that had arisen in that area. Now I believe we are ready to vote on the nomination.

I will now explain my position on this nomination, then call on any other Senator who wishes to speak, and then we will vote. When we have a physical quorum of six present I will ask unanimous consent that we interrupt the making of statements and vote

on the nomination at that point, then return to statements after the vote.

Assuming the nomination will be approved by this committee, Senator Mitchell intends to bring this nomination before the Senate before this day is over. Apparently the Senate will stay in until around 9 o'clock so that we can move along on the Tower nomination, but we will switch to this at some point—I don't know at what point—before the night is over. But I don't think we will be here much beyond 9 o'clock, from what I have heard.

I want to thank Frank Murkowski for the collaboration and cooperation we've had in a very fine, congenial way throughout this effort. I have endeavored to be as diligent as I could be. Frank has endeavored to be as diligent as he could be. Others on the committee have done the same. I thank all of them and I thank both the majority and minority staff for their hard work. An exhaustive effort was made to see to it that this committee would know what it was doing before it did it, and I think we have met that responsibility to the best of our ability.

I now want to explain the basis for my position on the nomination of Edward J. Derwinski to be Secretary of Veterans Affairs.

Generally, I believe that a President should be allowed to appoint those he pleases to be his top advisors. I have seldom opposed confirmation of a Cabinet nominee. There are no clear guidelines for the exercise of the advice-and-consent function in this respect; it is a matter of conscience for each Senator.

My criteria are that in general I would vote against a Presidential nomination of a person to serve at the pleasure of the President, as distinguished from a lifetime or term appointment, only on two general grounds: one relating to policy viewpoints, and one relating to behavioral standards. Under the first, I would oppose a nominee if he or she had evidenced policy views fundamentally at variance with the functions and responsibilities of the particular office or did not embrace the basic philosophy underlying the position. In the area of behavioral standards, I would oppose a nomination if the personal or professional behavior of the nominee or potential conflicts of interest involving the nominee convinced me that he or she is not fit to assume a high office of Government.

I have made one general exception to these criteria for Presidential advisors. I have always contended that these minimal standards do not apply to nominations for Attorney General of the United States. Because of the special role of the Attorney General as the chief law enforcement officer of the United States, I have generally applied more stringent criteria, similar to those associated with Federal judicial nominations.

In this case I believe there is no disqualification of Mr. Derwinski on the basis of his policy views or his understanding of the responsibilities of the office to which he has been nominated. He has responded in a generally forthright and, with some exceptions—primarily exceptions based upon lack of full information at the time the questions were asked—responsive manner to the many prehearing questions posed to him. He has already evidenced a willingness, if not an effectiveness in doing so, to advocate the needs of veterans to the President.

I believe we have a quorum present now, have we not, for the vote?

What we have agreed to do is to interrupt the statements—I had just started mine on my position on this nomination—when we had a quorum present so we could conduct the vote. The Senators could then do other things if they wished, and we would have done our work.

Let me add for those of you who were not here when I said this before, we're going to be in until around 9 o'clock or possibly later tonight, primarily on the Tower nomination, but at some point that will be interrupted, assuming there is a positive confirmation here, and we will take up the Derwinski nomination tonight.

Unless anybody wants to make a statement before the rollcall, we will now proceed with the rollcall.

The clerk will call the roll.

The CLERK. Mr. Matsunaga.

Senator MATSUNAGA. Aye.

The CLERK. Mr. DeConcini.

Chairman CRANSTON. Aye by proxy.

The CLERK. Mr. Mitchell.

Chairman CRANSTON. Aye by proxy.

The CLERK. Mr. Rockefeller.

Senator ROCKEFELLER. Aye.

The CLERK. Mr. Graham.

[No response.]

The CLERK. Mr. Murkowski.

Senator MURKOWSKI. Aye.

The CLERK. Mr. Simpson.

Senator MURKOWSKI. Aye by proxy.

The CLERK. Mr. Thurmond.

Senator THURMOND. Aye.

The CLERK. Mr. Specter.

Senator SPECTER. Aye.

The CLERK. Mr. Jeffords.

Senator JEFFORDS. Aye.

The CLERK. Mr. Chairman.

Chairman CRANSTON. Aye.

We will hold the rollcall open to give an opportunity for the recording of votes by those who were not present and who did not have proxies here, but the vote is 10 in favor of confirmation, none against. The committee has therefore approved the nomination, and that will be immediately reported to the Senate floor.

Senator THURMOND. Mr. Chairman, I must leave. Will you just give me 1 minute?

Chairman CRANSTON. Certainly.

OPENING STATEMENT OF SENATOR THURMOND

Senator THURMOND. I strongly favor the approval of Mr. Derwinski to be the Secretary of Veterans Affairs. I was the one who originally introduced the legislation to make the VA a Cabinet-level position. I advocated that many, many years ago. We have finally gotten it through.

In my opinion, Mr. Derwinski—and I have known him a long time—is a man of integrity. I've even been on some trips with him. He is a man of ability. He is a man of dedication. He is very interested in the veterans. I feel he will fill the position with much expertise and will render a great service to our country in this position.

Thank you very much.

Chairman CRANSTON. Thank you very much, Senator Thurmond.

I will continue with my statement, which is not overly long.

As I said, Mr. Derwinski has already evidenced a willingness, if not an effectiveness in doing so, to advocate the needs of veterans to the President.

However, I do believe that Mr. Derwinski's actions and statements in connection with the 1977 defection of a South Korean intelligence officer raise serious ethical questions.

I want to stress at the outset that I wanted to be very positive about the nomination of the first Secretary of Veterans Affairs. At the same time I have felt a special responsibility as chairman of the Veterans' Affairs Committee to scrutinize very carefully this historic nomination for he first head of the VA to sit in the President's Cabinet.

Mr. Derwinski has been confirmed twice before by the Senate for positions in the Department of State. It serves no purpose to rehash now whether in 1983 the members of the Foreign Relations Committee were actually aware of all of the pre-1983 facts before us now. I know that I, for one, was not, and the record shows that only five members were present at the March 10, 1983, hearing. In any event, that was then and this is now, and of course there is no doubt that the Foreign Relations Committee did not have before it Mr. Derwinski's statements in 1989 about his role in this matter.

Moreover, it is clear that this committee is the first committee that has been charged with the responsibility of making a recommendation to the Senate as to whether or not this nominee should be confirmed to head one of the three largest departments in our Government, and to sit in the Cabinet of the President of the United States. What another committee did or did not do earlier does not alter our responsibility to reach a judgment of the nominee's fitness for the position to which he is now nominated, nor do I believe that what transpired in the course of the investigations by the grand jury in 1977 or the House Committee on Standards of Official Conduct in 1978 is dispositive here. We sought with mixed success to gain access to the records of those inquiries.

As to the grand jury proceedings, the Justice Department advised that the Attorney General had rejected the request made by myself and Senators Murkowski and Specter to petition the district court to give this committee access to the grand jury's notes, minutes, and other materials relating to Mr. Derwinski in order to assist the Senate in carrying out its constitutional advise-and-consent responsibilities. The Senate's legal counsel advised that without Justice Department participation there was no likelihood that a petition to the court would be successful.

Although there is no public report of the grand jury, it was widely reported in the press that the grand jury's failure to proceed against Mr. Derwinski was due to the need to protect intelli-

gence sources and methods and that the grand jury issued a negative report regarding his actions, which the judge sealed. Based on all the information available to me, those press reports seem credible. I certainly find no basis for concluding that Mr. Derwinski was in any way exonerated because he was not indicted.

As to the House Ethics Committee investigation, that committee assured us that the only documents in its records are newsclips, a press release, and a January 24, 1978, classified letter to Speaker O'Neill from then-Attorney General Bell. That committee did not make these materials available, but we obtained access to those documents separately. I discussed this matter with the Representative who headed that committee's 1978 probe and am satisfied that that committee was unable to act because of the need to protect intelligence sources and methods, not because it did not have evidence of inappropriate conduct by Mr. Derwinski.

Hence, I find neither of these aborted investigations dispositive of the issues we must confront in considering this nomination. We have proceeded, as I stressed yesterday, to carry out a very thorough investigation into and scrutiny of the nominee's actions and statements in connection with the 1977 defection issue.

I reviewed in depth and at length all of the background information provided by the White House on Mr. Derwinski, including some highly classified information, his 1983 testimony to the Foreign Relations Committee, certain materials obtained from the Justice Department, and written and oral statements made by the nominee in response to written prehearing questions and to me in the course of two meetings in my office. In addition, the committee met Tuesday afternoon for more than 3 hours in closed session in order to discuss this situation in the context of the classified and sensitive information made available to the committee. At that meeting I raised very specifically with all the members of the committee my concerns about the nominee's actions and statements in connection with the 1977 defection incident, and then we discussed those concerns with the nominee for an hour and a half.

The bottom line is this. In my judgment, Mr. Derwinski made significant mistakes in 1977 in making the disclosure, and since then on a number of occasions in dissembling as to what he had done. I find that these actions and statements raise significant ethical questions. I conclude that what he did in 1977 was wrong and that the entire record demonstrates that he has often not been candid or forthcoming about it.

Were there a pattern of other such ethical lapses in Mr. Derwinski's history, I could not support his nomination. But his unfortunate actions and statements in connection with this one matter must be evaluated in the context of his entire record. When weighed against his 24 years of otherwise distinguished service in the Congress and almost 6 years of high level work at the State Department without any blemish that we are aware of, I do not find his indiscretions as to this one incident to be disqualifying.

I note that the Nazi-Fascist association charges that were raised against the nominee have been fully investigated, at my request, and not sustained in my view. As to certain other questions relating to the KCIA matter, a conclusive adverse judgment cannot be

sustained, and I believe the nominee deserves the benefit of the doubt on those matters.

There is much positive in Ed Derwinski's record of public service, much that he can be justifiably proud of. I have received many good comments from his former colleagues about his character and capacity. Hence, I am optimistic about Mr. Derwinski's potential to rise above this unattractive episode, to put it behind him once and for all, to perhaps be wiser for it all, and to move forward constructively and positively to make America a better place for those who have kept her strong and free.

In closing I want to note that I cannot give the details underlying the conclusions I have reached due to the sensitive or classified nature of much of the material on which I have based my conclusions. However, I have weighed all of the evidence extremely carefully and I am confident that my conclusions are sound.

Let me say that we now have a proxy from Senator Graham in support of the nomination, so the nomination is reported favorably, and it is unanimous, eleven to nothing.

I now recognize Senator Specter, and I want to thank him for the diligence and the active part he has played in this entire process.

OPENING STATEMENT OF SENATOR SPECTER

Senator SPECTER. Thank you, Mr. Chairman.

At the outset I think it is important to say that the committee has been as thorough as possible under the circumstances in trying to determine all of the facts relating to the 1977 incident involving the so-called Korean defector.

I have worked closely with the chairman and the ranking minority member, Senator Cranston and Senator Murkowski, as we have tried to work our way through a very complex, legalistic maze. I might say that it is unsatisfactory in my personal view that we have not had access to the grand jury notes, or to a more detailed report by the Ethics Committee of the House of Representatives. It may be that we ought to act, as a collateral matter, to try to change the Federal law relating to grand jury notes so that a Senate committee like this one would have access to that kind of an investigation when it bears on a cabinet officer for the U.S. Government.

Those efforts were initiated, and what we had after our very diligent inquiries amounted to the status of the record provided by Congressman Derwinski himself where in essence he stated that he learned the information about the so-called defector; he ran into a Korean—a foreign—officer on the Longworth steps; and, as Congressman Derwinski said, he "blurted it out."

In the absence of any contradictory evidence to establish venality or intention to make an inappropriate disclosure or to injure the individual or to stop the individual from coming forward to testify, it is my view that Congressman Derwinski is entitled to the benefit of the doubt, especially in light of his long and distinguished record.

We made inquiries into the allegations of anti-Semitic or discriminatory tactics as reported in the news media, and I was satisfied, as I believe all other members of the committee were. I think

it appropriate to note that I received telephone calls from many people who know Congressman Derwinski, both in private life and in the Congress, and he enjoys an outstanding reputation.

I believe that, on the merits, Congressman Derwinski is knowledgeable, understands government, understands politics, will be a strong advocate for the veterans in the Department of Veterans Affairs, and has the potential to make an outstanding Cabinet officer.

It is worthy of note that our inquiries were complicated by the confirmations in 1983 and 1987, but I think, to the credit of the committee, we did not permit those determinations to foreclose our action, but the committee made an independent inquiry. As the chairman has already noted, we reviewed matters very carefully, some of which cannot be publicly disclosed which provided certain leads, and in the closed-door session those issues were inquired into in depth. In essence, what we are left with is the "blurting-out" issue and nothing more. That is insufficient to deny a man with this background and this record the confirmation. Those are the reasons why I have cast my vote in favor of Congressman Derwinski for Secretary of Veterans Affairs.

I thank the Chair.

Chairman CRANSTON. I thank you very much for that statement.

I would like to add that in addition to our not getting all the information we would like to have had, we made an effort, in fairness to Mr. Derwinski, first suggested by Senator Specter which Frank Murkowski and I joined in, to persuade the White House to make available to Mr. Derwinski more information than he had about what the nature was of some of the allegations so that he would be able to respond. The White House was unwilling to do that for their own reasons, but we did our best to be fair to the nominee in that respect and in every other respect.

Senator Jeffords, do you want to make a statement?

Senator JEFFORDS. No, I do not.

Senator SIMPSON. Mr. Chairman?

Chairman CRANSTON. Yes, Senator Simpson.

OPENING STATEMENT OF SENATOR SIMPSON

Senator SIMPSON. Mr. Chairman, I would just like to have the record read that I was present and cast an affirmative vote in person.

I thank you very much. I have enjoyed working with you on this rather complex procedure. You were fair, and I think we've reached a good result on something that was well aired and well defined and old. I like to stick with the new stuff, and that's why I think this is very good.

Chairman CRANSTON. The record will so read, and I thank you very much.

Now Senator Murkowski, with whom I have shared a lot of hours and work.

Senator MURKOWSKI. Thank you very much, Mr. Chairman. I appreciate your kind words.

My colleague from Wyoming was speaking of "old stuff." I understand there's some old stuff on the floor that you are not anx-

ious to get back to, so I assume you would stay here and listen for a while.

Senator SIMPSON. My mother keeps hoping I will quit bringing up the old stuff in my life. [Laughter.]

OPENING STATEMENT OF SENATOR MURKOWSKI

Senator MURKOWSKI. Alan, I think the opportunity to work with you and Jon has been a rare one indeed, and I appreciate it, as well as the staff work that has gone into this.

I think I enunciated my concern yesterday over the advisability of anybody who is deposed, to make sure they have a tape recorder with them at the time so there is always at least one copy that they can refer to when it is necessary to refresh their memory. I think we have seen in this particular case with Mr. Derwinski the acknowledgment that a mistake was made, but we've also seen the contribution of a man who has spent some 30 years in public service and the contribution that he made during that time obviously speaks for itself.

I think we have heard the nominee's comments on his personal philosophy, the philosophy that he would take to the position of Secretary of Veterans Affairs. I think he has demonstrated in the open hearing the qualities that are necessary in order to assume the responsible position which he is about to undertake. The fact that he has served our country makes it appropriate that he represent the veterans organizations and the veterans of this country in that regard as Secretary.

I, too, share the concern that you expressed and I think that in the effort to examine it, I can honestly say that I had no unuttered questions of Mr. Derwinski. They were all presented and he responded to them in a manner adequate to address the issues, even though it was very difficult for him to do so in many cases because that information was information that I had and he did not have, and he had to refer to incidents back in 1977 or thereabouts, which I think proves my point with regard to being deposed.

But nevertheless, acknowledgments were made, as I have indicated, of mistakes; but by the same token, we evaluated those. Alan, you and I probably spent 5 or 6 or maybe 7 hours together on an airplane flying to Japan in Air Force One discussing and going over some of the material that was appropriate that we had on that occasion. So it was thoroughly gone over, and I think this is appropriate from the standpoint of the Secretary-designate recognizing that it was thoroughly gone over. I want the veterans' organizations and the veterans of America to know that as far as the issue of any Nazi sympathies, they were fully addressed, and I think it would be an affront to this committee if they were ever addressed again.

As far as the Koreagate concern, I think that the candidate has appropriately explained his position, that it was "the dumbest thing" he ever did. I would hate to go back and examine my conscience and try to pick out the dumbest thing I ever did because I might have more than one competitive subject. But as long as Ed has only got one, I guess we should all be thankful.

So as a fellow member of the "Polish nobility," as Ed has referred to his and my background and upbringing, I want to thank all members of the committee for their dedication and commitment, and certainly want to thank the nominee for his cooperation and patience during the last months. They have been trying times but, as Senator Simpson said, they are probably nothing in comparison to what is ahead of him; so perhaps we have toughened him up for the job ahead. I certainly look forward to working with Ed as the Secretary of Veterans Affairs and I urge my colleagues—I see they have proceeded to do so without my urging—to support him unanimously for the confirmation. I am pleased that we could send the unanimous recommendation down to our new President.

Thank you, Mr. Chairman.

[The prepared statement of Senator Murkowski appears on p. 216.]

Chairman CRANSTON. Thank you very much, Frank. I appreciate that statement and I have appreciated working with you on this matter.

We will submit the committee's recommendation to the Senate forthwith. I believe that we will take it up before the day is over.

Alan, you weren't here when I stated earlier that we will probably be in until 9 o'clock or maybe a bit later on the Tower nomination, but Senator Mitchell intends to interrupt that at some point so that we can take this up and dispose of it.

Senator SIMPSON. Very fair.

Chairman CRANSTON. Then we will welcome Mr. Derwinski back as Administrator next Monday at our budget hearing.

I also want to note that the record of this meeting will be open for a week for any Senator who wishes to file a statement, and that we will print this record along with the record of yesterday's hearing.

There being no further business to come before us at this point, we now stand adjourned. Thank you all very much for your presence.

[Whereupon, at 2:15 p.m., the committee was adjourned, to reconvene at the call of the Chair.]

THE WHITE HOUSE

WASHINGTON

February 14, 1989

Dear Senator Murkowski:

Thank you for your letter of February 9, 1989, informing me of the closed, executive session of the Committee on Veterans' Affairs that is scheduled for February 22, 1989 to discuss the nomination of Edward J. Derwinski for Secretary of Veterans Affairs.

In your letter you indicated the Committee's desire to meet with Mr. Derwinski concerning a number of issues arising out of the Federal Bureau of Investigation's (FBI's) background investigation. Your letter further requests that the Executive branch provide Mr. Derwinski with access to various materials (including classified documents) that relate to the so-called Koreagate affair.

We defer to the judgment of the Members of the Committee as to the information raised in the FBI background investigation that they feel must be discussed with Mr. Derwinski. We note, however, that since many of these materials relate to a previous criminal investigation, the White House did not believe it was appropriate to provide Mr. Derwinski with access to the various materials compiled by the FBI, which include classified documents, before his nomination was submitted to the Senate; we continue to believe that it is inappropriate for us to share those materials with him. (Of course, we express no opinion as to whether the House Committee on Standards of Official Conduct or the Senate Committee on Foreign Relations should provide to Mr. Derwinski materials they may have generated in connection with their investigation of his role in Koreagate.)

The allegations involving Congressman Derwinski's role in Koreagate were the subject of a 1977 grand jury investigation, a 1978 House Committee on Standards of

Official Conduct investigation and the Senate Committee on Foreign Relations confirmation hearing on Mr. Derwinski in 1983. We express no view as to the propriety of reopening an investigation of Koreagate at this time, except to say that responding to such an investigation is beyond the scope of the duties of the Office of the White House Counsel.

Accordingly, we have forwarded to the Department of Justice your request that the Department of Justice initiate a lawsuit on behalf of the Committee to obtain access to the referenced grand jury materials. With respect to this and other requests that in essence seek to reopen Koreagate, we request you deal directly with the Department of Justice or with the two relevant congressional committees that were previously involved.

Of course, the White House Counsel's office remains available to consider the Committee's requests for additional FBI investigation on matters that have arisen since Mr. Derwinski was last confirmed by the Senate in 1987 or matters that have not been addressed previously. In this connection, the FBI will complete its investigation of the allegations concerning Nazism in the very near future and we will make that report available to you at your convenience

Sincerely,

C. Boyden Gray
Counsel to the President

The Honorable Frank H. Murkowski
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510-6375

STATEMENT OF SENATOR FRANK H. MURKOWSKI (R-AK) BEFORE THE COMMITTEE HEARING ON THE NOMINATION OF EDWARD J. DERWINSKI TO BE THE SECRETARY OF VETERANS AFFAIRS

Good Afternoon. I am pleased to join in welcoming all of you to this unique hearing of the Veterans' Affairs Committee to address the nomination of the first Secretary of Veterans Affairs.

I would like to take a moment to introduce our newest member, Senator Jim Jeffords of Vermont, and to congratulate him, both for his election to the Senate and for choosing to serve America's veterans by joining us on this Committee. Jim replaces Senator Bob Stafford also of Vermont, who recently retired. If anyone can carry on Vermont's proud tradition of commitment and service to our veterans, I know it will be Jim.

I also congratulate Chairman Cranston and Senators Mitchell and Simpson for their election to the Senate Leadership. The fact that our Committee meetings will resemble a Senate Leadership caucus can only be good news for veterans.

The Committee's staff has a new Republican General Counsel, Vic Reston. Vic is a Marine Corps combat veteran of Vietnam, a former military judge advocate, and a graduate of the U.S. Naval Academy.

TONY PRINCIPI ALSO IS DESERVING OF OUR BEST WISHES. HE WILL BE NOMINATED TO BE THE DEPUTY SECRETARY OF VETERANS AFFAIRS. AS A FORMER STAFF DIRECTOR OF THIS COMMITTEE, TONY WILL BRING A STRONG BACKGROUND OF EXPERIENCE IN VETERANS MATTERS TO HIS NEW POSITION.

WE ARE HERE THIS MORNING TO ADDRESS THE NOMINATION OF EDWARD DERWINSKI TO BE THE FIRST SECRETARY OF VETERANS AFFAIRS. ED IS ACCOMPANIED BY HIS LOVELY WIFE BONNIE, AND I EXTEND MY WARM WELCOME TO HER. ED'S CHILDREN COULD NOT BE PRESENT TODAY, BUT I AM CERTAIN THEY ARE HERE WITH THEIR FATHER IN SPIRIT.

ED HAS A LONG AND DISTINGUISHED RECORD OF PUBLIC SERVICE.

- FROM HIS TWENTY-FOUR YEARS IN THE CONGRESS, HE HAS ACQUIRED AN APPRECIATION FOR THE PROCEDURES, CUSTOMS, AND VALUES OF THIS BODY.

- FROM HIS EIGHT YEARS AT THE STATE DEPARTMENT, HE HAS ACQUIRED AN IN-DEPTH UNDERSTANDING OF THE EXECUTIVE BRANCH AND, I AM CERTAIN, MORE EXPERIENCE THAN MOST, IN DIFFICULT NEGOTIATIONS.

- FROM A LIFETIME IN WASHINGTON, HE HAS ESTABLISHED PERSONAL RELATIONSHIPS WITH THE GOVERNMENT LEADERS AND DECISION-MAKERS WHO WILL SHAPE THE FUTURE OF OUR COUNTRY.

ED'S PUBLIC SERVICE BEGAN LONG BEFORE HE CAME TO WASHINGTON. IT BEGAN IN HIS YOUTH WHEN HE PUT ON THE U.S. ARMY UNIFORM DURING WORLD WAR II.

- THAT SERVICE TELLS ME A LOT ABOUT ED'S CHARACTER AND COMMITMENT TO OUR NATION.

- IT ALSO CONFIRMS TO AMERICA'S VETERANS THAT HE IS ONE OF THEM.

RECENTLY, ALLEGATIONS WERE MADE THAT ED HAS BEEN LESS THAN CANDID ABOUT HIS INVOLVEMENT IN A 1977 INCIDENT DEALING WITH A SOUTH KOREAN CIA DEFECTOR. I BELIEVE THE DECISION ON HIS NOMINATION, AT LEAST AS IT RELATES TO THIS ISSUE, RESTS ON TWO SEPARATE AND DISTINCT CONSIDERATIONS.

THE FIRST CONSIDERATION IS WHETHER THERE IS ANY BASIS FOR THESE ALLEGATIONS. IF WE DECIDE THERE IS NO BASIS, SUCH A DECISION WILL GREATLY HELP ED IN THE CONFIRMATION PROCESS. IF WE DECIDE OTHERWISE, ED'S CONFIRMATION WILL DEPEND ON THE SECOND CONSIDERATION.

THIS SECOND CONSIDERATION TAKES INTO ACCOUNT "THE WHOLE MAN" CONCEPT. THE FOCUS HERE SHOULD BE ON ED'S ENTIRE RECORD OF PUBLIC SERVICE, THE MAN HIMSELF, HIS REPUTATION, HIS PERSONAL SACRIFICES ON BEHALF OF OUR COUNTRY, HIS SELFLESS EFFORTS TO ADVANCE THE GOALS OF OUR NATION, AND NUMEROUS OTHER PRAISEWORTHY

TRAITS HE CERTAINLY HAS SHOWN OVER THE YEARS. UNDER SUCH CIRCUMSTANCES, IT COULD BE REASONABLY ARGUED THAT ED'S 30 YEARS OF PROFESSIONAL DEDICATION AND EXCELLENCE FAR OUTWEIGH A SEEMING LACK OF DIRECTNESS ABOUT AN INCIDENT OCCURRING 12 YEARS AGO. THIS IS ESPECIALLY TRUE IF IN ED'S DISTINGUISHED CAREER HIS INTEGRITY AND SENSE OF RESPONSIBILITY HAVE NEVER BEFORE BEEN CALLED INTO QUESTION. AND I KNOW THIS TO BE THE CASE.

I HAVE MET WITH ED SINCE HIS NOMINATION WAS ANNOUNCED, AND I HAVE REVIEWED HIS BACKGROUND FILE IN DETAIL. I HAVE ALSO TAKEN INTO CONSIDERATION HIS TWO SUCCESSFUL CONFIRMATION HEARINGS IN 1983 AND 1987 BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE WHOSE CONSCIENTIOUS MEMBERS TAKE NOTHING FOR GRANTED. FURTHERMORE, I RECENTLY RECEIVED A LETTER OF SUITABILITY FROM THE WHITE HOUSE COUNSEL, EXPRESSING THE PRESIDENT'S CONTINUING CONFIDENCE IN ED. I WOULD ASK UNANIMOUS CONSENT TO INSERT IT INTO THE RECORD AT THIS TIME.

PRESIDENT REAGAN HAD ALWAYS RECOGNIZED THE IMPORTANCE OF OUR VETERANS TO OUR COUNTRY. IN NOVEMBER 1988, HE REAFFIRMED HIS SUPPORT BY SIGNING THE BILL WHICH ELEVATED THE NEW DEPARTMENT OF VETERANS AFFAIRS TO CABINET-LEVEL STATUS. MY UNDERSTANDING IS THAT PRESIDENT BUSH, THEN PRESIDENT-ELECT, SIMPLY PICKED UP THE PHONE AND CALLED ED TO ASK HIM IF HE WOULD ACCEPT THE NOMINATION TO HEAD THIS DEPARTMENT. PRESIDENT BUSH IS WELL AWARE OF ED'S

PROFESSIONAL BACKGROUND AND EXPERIENCE AND OBVIOUSLY HAS GREAT CONFIDENCE IN ED'S ABILITIES.

I, LIKEWISE, AM CONFIDENT THAT ED HAS FULL APPRECIATION OF THE IMPORTANCE THE CONGRESS AND THE NATION PLACE ON THE VETERANS' PROGRAMS CREATED TO SERVE THOSE WHO HAVE SERVED US. I LOOK FORWARD TO HIS TESTIMONY TODAY AND TO WORKING WITH HIM IN THE YEARS AHEAD AS THE CONGRESS AND THE NEW DEPARTMENT OF VETERANS AFFAIRS SEEK WAYS TO MORE EFFECTIVELY SERVE AMERICA'S VETERANS.

THANK YOU.

OPENING STATEMENT AT HEARINGS TO CONSIDER EDWARD J. DERWINSKI
TO BE SECRETARY OF VETERANS' AFFAIRS
BY SENATOR SPARK MATSUNAGA
Senate Veterans' Affairs Committee
216 Hart Senate Office Building
March 1, 1989
1:30pm

Thank you, Mr. Chairman. I would like to take this opportunity to welcome to these proceedings my good friend Ed Derwinski, a former colleague of mine when I was in the House. Ed, aloha to you and to members of your family who are with us today. I would also like to welcome the distinguished representatives of the various service organizations who will testify on the nomination of Mr. Derwinski to be Secretary of Veterans' Affairs.

Mr. Chairman, I am mindful that this is a special moment in the history of this Committee. For the first time, we are gathered to consider the nomination of an individual to be the Nation's first Secretary of Veterans' Affairs. It is a tribute to the perserverence of our country's 27 million veterans that this moment has come to pass. Without their support, transmitted through the service organizations, Congress would never have passed legislation last year elevating the VA to cabinet status. In this regard, I should also like once again to single out for recognition three members of this Committee who played important roles in passing the Elevation Act: Senator Thurmond, who for many years sponsored the cabinet status bill, as well as Senator Murkowski and you, Mr. Chairman, who were instrumental in

working out the ultimate form of the legislation and who helped guide its passage through the Senate. Veterans thank you and I thank you.

Mr. Chairman, the first Secretary of Veterans' Affairs has a tremendous task in front of him. Aside from the attendant difficulties of administering our second largest Federal agency, an organization responsible for the health and well-being of 27 million veterans and their 51 million dependents, the Secretary must grapple with the worst fiscal crisis ever to confront veterans. I refer, of course, to the estimated billion dollar-plus shortfall in the current year budget, including at least one-half billion dollars in the health care account alone, as well as the meager Reagan-Bush budget request for Fiscal 1990, which CBO estimates to be $1.5 billion below current services levels. Today thousands of veterans are being turned away from medical care and numerous programs and services are being cut substantially or eliminated entirely. This situation will be exacerbated next year and for the forseeable future unless it is immediately addressed.

It is my firm opinion that the first order of business for the new Secretary, as he takes his place at the cabinet table, is to urge the President to submit an adequate FY89 emergency supplemental petition, and to approve a substantial increase in the FY90 budget request. While I am well aware of the deficit crisis, it is incumbent upon Government to continue to provide those services and benefits which the

Nation owes to veterans. Aside from a sense of moral obligation, I think it is penny-wise and pound-foolish to believe that deep cuts in VA services will not have an adverse effect on other social and health services provided by the Federal Government, because those programs will ultimately have to carry much of the burden now borne by the VA. Additionally, an organization such as the VA, comprising 172 hospitals, 231 outpatient clinics, 117 nursing homes, 27 domiciliaries, among other facilities, cannot and should not be expected to function optimally if financial resources are cut drastically year to year.

Mr. Chairman, I look forward to hearing the testimony offered today. I also look forward with anticipation to the nominee's answers to questions posed by this Committee.

Thank you.

# # #

STATEMENT OF SENATOR DENNIS DeCONCINI
IN SUPPORT OF EDWARD J. DERWINSKI

Mr. Chairman, I rise in support of nomination of Edward J. Derwinski nomination to be the first Secretary of Veterans Affairs in the history of our Union. I have great expectations for him, and am extremely hopeful that Ed will set the highest standard for this office.

Mr. Chairman, I am very grateful to you and Senators Murkowski, Specter and Simpson, for their thorough, but fair consideration of the sensitive issues presented by this nomination. My colleagues have established what I believe to be the highest standard for themselves in this process, and Ed knows we will expect the same in return from him as the new Secretary of Veterans Affairs.

I have reviewed in detail the information provided by the White House and Mr. Derwinski, together with his legislative record as a member of the House of Representatives. I have found his record to be admirable, albeit what I know to be a single incident of misjudgement with respect to an accidental disclosure of sensitive information. As I have been satisified that the record is sufficiently complete, I need not discuss that incident further.

Mr. Chairman, I personally met with Mr. Derwinski and frankly discussed the 1977 incident and his perceptions of mission of the Department of Veterans Affairs. I found him to be exceedingly candid and very sympathetic to the current veterans health care crisis. True to his word, Ed set about as soon as he could to urge additional funding for health care, and other critical veteran programs. Although he was not initially successful, I believe his actions to date indicate he will not replicate the previous Administration's apathy and ambivalence to the declining quality and availability of health care for those who have sacrificed their body and soul to protect our freedom.

Again, I think Ed Derwinski's record as a career public servant is to be commended. He knows of my deep concern that our veterans have not had adequate representation in the past Administration. I wish him well and extend to him my pledge to assist him in any manner I can as he accepts what I believe will be one of the greatest challenges of his lifetime.

Mr. Chairman, I urge my colleagues on the Committee on Veterans Affairs to extend their support by unanimously approving the nomination of Edward J. Derwinski to the office of Secretary of Veterans Affairs.

STATEMENT OF

EDWARD J. DERWINSKI

SECRETARY-DESIGNATE

BEFORE

SENATE COMMITTEE ON VETERANS' AFFAIRS

MARCH 1, 1989

Mr. Chairman, I am honored to appear before you and the distinguished members of the Committee as the President's designee to become Administrator of Veterans Affairs and the first Secretary of the newly-formed Department of Veterans Affairs.

My 32 years of public service, primarily in the House of Representatives, but with six years at the Department of State, have equipped me to meet the responsibilities of this position. As a veteran myself and an active member of veterans' organizations, I have long understood our commitment to our veterans. I intend to utilize fully my voice in the President's Cabinet as the advocate of those who served and sacrificed in the name of this Nation. And, I promise my full energies toward the effective delivery of benefits and services provided by this Nation's grateful citizens and their elected representatives.

It is clear to me that the Department of Veterans Affairs is made up of thousands of dedicated men and women who believe in the mission of the VA. I believe that we must mutually strive for improvement, and continue to look for better and more efficient ways of carrying out that mission. I view the legislation that created the Department of Veterans Affairs as a mandate to re-vitalize and re-dedicate the VA mission. This is an opportunity we all share to bring fresh ideas and new perspectives to how we operate the Government's second largest department.

The VA's health care system must provide quality health care. As I called on various members of this Committee in the past few weeks, many of you expressed your concerns about funding and performance within the VA health care system. The principal goal I will set for the Veterans Health Services and Research Administration will be to assure continued excellence and quality in all areas of medicine and research.

We all are aware of the increased needs of the aging veteran and the homeless veteran. I have listened to Vietnam veterans for whom combat has had a profound effect upon their lives. The medical challenges involved in the Nation's battle against AIDS also confront the VA health care system.

There are many, many important issues that we must address and manage. Some of our efforts will require innovation. Some may call for changes in the way we perform. But none can be resolved without determination and commitment. Mr. Chairman, I can assure you the President expects that of me and that our veterans will receive our maximum effort.

The current Department of Veterans Benefits, to be renamed the Veterans Benefits Administration, also has major responsibilities that must be carried out in a timely and efficient manner. Compensation, pensions, survivor benefits, burial benefits, rehabilitation and educational assistance, home loan benefits, and insurance coverage are vitally important to this Nation's veterans and their dependents and survivors. Where the benefits system needs to be reexamined and improved, we will either make the improvements, if possible, or recommend such action, if necessary.

I am aware that some modernization of the delivery system for these programs is underway. While the goal is that the benefits which are available to our veterans should be provided in a timely and efficient manner, that goal must be met without losing sight of the individual nature of the service rendered and the personal concerns of the veterans we are serving.

The current Department of Memorial Affairs is to be renamed the National Cemetery System. I have heard the concern of some that we may phase out this program as cemeteries reach capacity. I believe that a special resting place for veterans after service to their country is a commitment that is important and should be continued. If meeting that commitment requires some future expansion of the National Cemetery system, so be it.

As I indicated earlier, I consider myself an advocate for veterans. Our goals are to maintain quality health care and timely service. I assure you that I will work closely with the Congress as well as representatives of this Administration, including President Bush, to ensure that our Nation's veterans receive the benefits they earned through their service to our country.

I recognize that the creation of a new Department of Veterans Affairs is another milestone, a bench mark in the support of the veteran. It will allow all of us to move toward a better and more efficient institution. The obvious administrative and management challenge is: "How do we do it better?"

However I would submit that the larger goal is a human goal. We are here to deal with people, not just numbers, computer responses and technical achievements. We have to make sure that our customers--the veterans--are really treated as people.

Most of my adult life has been in public service, and, frankly, I enjoy it. My 24 years in the Congress of the United States brought me great personal and professional satisfaction. In the Congress, I was co-author of Civil Service reform and a supporter of veterans' preference legislation.

I did my own veterans case work and have spent many an hour here and in my district working with veterans' organizations on problems, large and small. For example, I worked closely with Admiral Elmo R. Zumwalt, then Chief of Naval Operations. Last week I met with him at the VA as a respected friend to listen to his point of view about Agent Orange. I told the Admiral, as I have told the veterans groups in my early contacts, that I come here with an open mind.

We already are working in small teams looking at areas for improvements. We want to bridge the transition from "Administration" to "Department" most effectively and at the least possible cost. Before closing, I want to recognize Tom Harvey who has been Acting VA Administrator. Tom is a fine example of a responsible and effective public servant. And as you know, there are also many good and efficient career executives already in place at VA.

Finally, Mr. Chairman I want to assure you that I do not intend to carry out my new responsibilities in a vacuum. Nor, do I intend to remove myself from day-to-day operation of the Department. I will not be surrounded or isolated by the bureaucratic trappings of office. All my public career I have been a problem solver. I expect to work closely with the appropriate committees of the Congress. I also intend to consult frequently with the representatives of the veterans service organizations. I consider both entities to be major partners in meeting the needs of our veterans.

Thank you, Mr. Chairman. I will be happy to answer any questions that you or other Committee members may have.

# # #

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

PART I: ALL THE INFORMATION IN THIS PART WILL BE MADE PUBLIC

Name: Derwinski (LAST) Edward (FIRST) Joseph (OTHER)

Present address: 5505 Seminary Road, Apt. 2411N Falls Church, VA. 22041 (CITY) (STATE) (ZIP CODE)

Position to which nominated: Administrator of Veterans' Affairs/ Secretary of Veterans Affairs

Date of nomination: 01/21/89

Date of birth: 15 (DAY) 09 (MONTH) 26 (YEAR)

Place of birth: Chicago, Illinois

Marital status: Married

Full name of spouse: Bonita Margalus Hickey Derwinski

Names and ages of children: Maureen Sue Derwinski - 27; Kevin Liam Hickey - 20; Michael Stephen Derwinski - 21; Margaret Agnes Hickey - 24

Education:

Institution (including city and State)	Dates attended	Degrees received	Dates of degrees
Mt. Carmel High School Chicago, Illinois	9/40 - 1/44	----	----
Loyola University Chicago, Illinois	9/44 - 6/52	B.Sc.(History)	6/52

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Asiatic Pacific Campaign Medal

World War II Victory Medal

Army of Occupation Medal

Honorary Doctorate of Law, Kon-Kuk University, Seoul, Korea

Icelandic Order of the Falcon

The Secretary of State's Distinguished Service Award

ADDENDUM EDWARD J. DERWINSKI

Honors and awards:

Outstanding Service Award for National and Community Affairs, 1961 Kiwanis Clubs of America;
Sons of the American Legion, State of Illinois, Citation;
Sertoma, Service of Mankind Award, 1973;
Arthritis Foundation, Distinguished Service Award, 1973;
National Alliance of Senior Citizens, Golden Age Hall of Fame, 1980;
Outstanding Service to the Community Award, Polish American Veterans, 1976;
U.S. Junior Chamber of Commerce, Man of the Year Award;
Distributive Education Club of Illinois Award, 1978;
Boy Scout Leaders Award, 1966;
Alpha Delta Gamma, (National Catholic Fraternity), Man of the Year, 1968;
Mount Carmel High School Hall of Fame;
Young Americans for Freedom, National Achievement Award;
N.C.A.A., Tribute, Academic and Athletic Excellence during Undergraduate years, 1966;
Certificate of Recognition, Metropolitan Sanitary District of Greater Chicago, 1976;
Latvian American National Council, Man of the Year Award, 1974;
National Captive Nations Committee, Eisenhower Proclamation Award, 1959-69, Liberty Award, 1964-78;
Commemorative War Cross, Kingdom of Yugoslavia;
The Supreme Lodge, Order of AHEPA, Certificate of Recognition;
Greek-American Civic Award, in appreciation for assistance to people of Cyprus;
Shevchenko Freedom Award, Ukrainian Congress Committee, 1972;
Italian Executives of America, Inc., Certificate of Merit, 1979;
Order of Sons of Italy, Illinois Grand Lodge Award, 1980;
Citation of Diplomatic Service Merit, Office of the President, Republic of Korea;
Chai Lodge No. 2838, B'nai B'rith, Man of the Year award, 1981;
Council of Jewish Federations, Distinguished Service Award, 1978;
Baltic Freedom Award, National Baltic Committee, 1981;
Polish American Congress Commemorative Medal;
Ukrainian Congress Committee, Man of the Year Award, 1975;
Man of the Year, Illinois State Republican Nationalities Council, 1971;
Order of Prince of Cilicia, The Armenian Holy See of Cilicia, 1969;
Armenian Youth Federation, Man of the Year Award, 1975;
American Lebanese League, Man of the Year Award, 1979
Home Guard of Lithuania in Exile, Certificate of Honor

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable, and other organizations for the last five years and any other prior memberships or offices you consider relevant.

Organization	Office held (if any)	Dates
The Navy League	None	06/82 - 06/84
The American Legion	None	02/48 - present
Kiwanis Club of Homewood-Flossmoor, IL.	None	01/72 - present
Veterans of Foreign Wars	None	02/46 - present
Polish National Alliance	None	05/48 - present
National Catholic Society of Foresters	None	09/84 - present
Polish Roman Catholic Union	None	10/42 - present
U.S./India Society	Honorary U.S. Trustee	1988 - present
U.S. Association of Former Members of Congress	Director & President	1983 - present

Employment record: List below all employment (except military service) since your twenty-first birthday, including the title or description of job, name of employer, location of work, and inclusive dates of employment.

President, West Pullman Savings & Loan, Chicago, IL 08/47 - 01/59

Director, West Pullman Savings & Loan, Chicago, IL. 08/47 - 06/75

Director, United Savings of America, Chicago, IL. 06/75 - 02/89
(Inactive and uncompensated since January 1983. Resigned effective February 1, 1989, copy of letter of resignation attached.)

Representative, Illinois State Legislature, Springfield, IL. 01/57 - 12/58

Member of U.S. Congress, Washington, D. C. 01/59 - 01/83

Counselor, Department of State, Washington D.C. 03/83 - 03/87

Under Secretary of State for Security Assistance, Science & Technology, Washington, D.C. 03/87 - 12/88

Military service: List below all military service (including reserve components and National Guard or Air National Guard), with inclusive dates of service, rank, permanent duty stations and units of assignment, titles, descriptions of assignments, and type of discharge.

US Army 4/24/45 - 12/1/46: Ft. Maxey, Texas - infantry training 4/45 - 8/18/45.

Stationed Osaka and Yokohama, Japan - Postal Clerk, Tec 5, 9/6/45-10/10/46.

Honorably discharged at Camp Beale, California 12/1/46

US Army Reserve 10/26/63 - 12/65. Inactive 1/66 - 2/8/80 - Major, US Army Corps Control Group, Washington, D. C.

Government experience

List any advisory, consultative, honorary, or other part-time service or positions with Federal, State, or local governments other than those listed above

None

Published writings

List the titles, publishers, and dates of books, articles, reports, or other published materials you have written

The Case Against the Reckless Congress - Green Hill Publishers, Inc - 197

Can You Afford this House? - Green Hill Publishers, Inc - 1978

The Capitol Connection - Foreign Service Journal - 09/86

Budgetary Resources & Foreign Policy - U.S. Department of State - 04/87

Political affiliations and activities

1. List all memberships and offices held in and financial contributions and services rendered to any political party or election committee during the last 10 years

Member, Advisory Committee on Outreach, Republican National Committee 1977/1979

Honorary Chairman, Advisory Committee, National Republican Heritage Groups (Nationalities) Council 1978/present

Century Club, National Republican Heritage Groups (Nationalities) Council 1974/present

Delegate, Republican National Convention - 1976 & 1980

2. List all elective public offices for which you have been a candidate and the month and year of each election involved

Illinois State Representative: Primary 04/56, General 11/56

US Congress (4th District, Illinois): Primary 3/58, General 11/58; 11/60; 11/62; 11/64; 11/66; 11/68; 11/70; 11/72; 11/74; 11/76; Primary 3/78 General 11/78; 11/80; Primary 3/82 defeated.

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association, or organization if you are confirmed by the Senate.

I have already submitted my resignation from my present position.

2. State whether you have any plans after completing government service to resume employment, affiliation, or practice with your previous employer, business firm, association, or organization.

No

3. What commitments, if any, have been made to you for employment after you leave Federal service?

None

4. (If appointed for a term of specified duration) Do you intend to serve the full term for which you have been appointed?

NA

5. (If appointed for an indefinite period) Do you intend to serve until the next Presidential election?

I will serve at the pleasure of the President.

Potential conflicts of interest:

1. Describe any financial arrangements, deferred compensation agreements, or other continuing financial, business, or professional dealings which you have with business associates, clients, or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other financial relationships which constitute potential conflicts of interest with the position to which you have been nominated.

My wife is a registered mortician in the State of Illinois, doing business as J.J. Hickey. She has an arrangement with the Blake and Lamb Funeral Home under which, on infrequent occasions, she uses their facilities to direct funerals.

I have executed a recusal agreement relating to any official action I might take directly affecting the Blake and Lamb Funeral Home or funerals conducted by my wife. See attached addendum.

3. Describe any business relationship, dealing, or financial transaction which you have had during the last five years, whether for yourself, on behalf of a client, or acting as an agent, that constitutes a potential conflict of interest with the position to which you have been nominated.

None

4. Describe any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any Federal legislation or for the purpose of affecting the administration and execution of Federal law or policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements involved.)

I have executed a recusal agreement (see Item 2).

Testifying before the Congress

1. Do you agree to appear and testify before any duly constituted committee of the Congress upon the request of such committee?

Yes

2. Do you agree to provide such information as is requested by such a committee?

Yes

United States
Office of Government Ethics
P.O. Box 14108
Washington, D.C. 20044

February 2, 1989

Honorable Alan Cranston
Chairman, Committee on Veterans Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Edward J. Derwinski, who has been nominated by President Bush for the position of Secretary of the Department of Veterans Affairs.

The report has been reviewed and advice has been obtained from the Veterans Administration concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is a letter (with its enclosures) dated February 2, 1989, from the ethics officials of the Veterans Administration on this matter.

Based thereon, it appears that Mr. Derwinski will be in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Frank Q. Nebeker
Director

Enclosures

Office of General Counsel Washington, D.C. 20420

Veterans Administration

FEB 2 1989

In Reply Refer To: 023

Mr. Frank Q. Nebeker
Director, Office of Government Ethics
Office of Personnel Management
1625 K. Street, N.W.
Room 400
Washington, D.C. 20006

Dear Judge Nebeker:

I have reviewed the Financial Disclosure Report (Standard Form 278) submitted by Mr. Edward J. Derwinski, who has been nominated to serve as Secretary for the Department of Veterans Affairs (copy enclosed). I have compared it with the Financial Disclosure Reports Mr. Derwinski submitted to the Department of State for Calendar Years 1986 and 1987.

Also enclosed are copies of a letter from Mr. Derwinski resigning his membership on the Board of Directors of the United Savings of America, Chicago, Illinois, and a memorandum from Mr. Derwinski recusing himself from any official action directly involving the Blake and Lamb Funeral Home or funerals conducted by his wife.

I, therefore, certify that Mr. Derwinski's Financial Disclosure Report discloses no conflict of interest under applicable laws and regulations.

Sincerely yours,

Audley Hendricks

AUDLEY HENDRICKS
Assistant General Counsel

Enclosures

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

JAN 30 1989

United Savings of America
4730 West 79th Street
Chicago, IL 60652

Gentlemen:

It has been my pleasure to serve as a member of the Board of Directors of United Savings of America since 1975. Because I have been selected to become the Secretary of Veterans Affairs in the New Cabinet level Department of Veterans Affairs, I must, with great regret, resign from the Board.

This is necessary because one of the major programs I will administer is the Veterans Home Loan Program. Many decisions I will be required to make could have a direct effect on savings and loan institutions in general and on United Savings of America in particular. Accordingly, in order to ensure that the objectivity of my decisions and actions is free from question, and to comply with Federal conflict of interest requirements, I must remove myself from the Board of Directors during my tenure as Secretary of Veterans Affairs.

I am honored to have served and have appreciated our association over the years. I regret very much that this action is necessary.

My resignation will become effective February 1, 1989.

Sincerely yours,

EDWARD J. DERWINSKI
Secretary-Designate

Veterans Administration

Memorandum

Date JAN [illegible] 1989

From Secretary-Designate

Subj Recusal

To Assistant General Counsel (023)
Designated Agency Ethics Official

1. This is to inform you that my wife, Bonita L. Derwinski, is a licensed mortician associated with the Blake and Lamb Funeral Home in Chicago, Illinois.

2. Because any actions I might take relating to the Burial Benefits Program of the Veterans Administration or Department of Veterans Affairs could be perceived as benefiting the financial interests of my wife and myself, I will recuse myself from any official action directly involving the Blake and Lamb Funeral Home, or funerals conducted by my wife.

Edward J. Derwinski

EDWARD J. DERWINSKI

VA FORM
SEP 1984 2105

Office of Administrator
of Veterans Affairs
Washington DC 20420

January 25, 1989

Dear Alan:

I am enclosing material requested for today by your staff director.

Looking forward to seeing you tomorrow.

Sincerely yours,

Edward J. Derwinski

The Honorable Alan Cranston
Chairman
Committee on Veterans Affairs
United States Senate
Washington, D.C. 20510

At the outset I should like to state that I am pleased to respond to any questions from the Chairman and the Committee. I recall that the Chairman was a member of the Senate Foreign Relations Committee which recommended my confirmation twice for other Executive positions, Counselor of the State Department in 1983 and Under Secretary of State for Security Assistance, Science and Technology in 1987.

In this respect I wish to point out that the questions being asked now on the "Korean" issue were raised in 1983 by White House Counsel, by the SFRC, and in my clearance investigation, and were answered then. There are no new facts now that were not before the SFRC then.

My comments with respect to the part of the Oakland Tribune editorial on my "alleged role in passing US secrets to the South Koresan CIA in the late 1970s" are as follows:

In September 1977, during a period when US-Korean relations were at their lowest ebb since the Korean War, I was the ranking minority member of a House Foreign Affairs subcommittee investigating alleged Korean Government activities in the US. Don Fraser (D-Minn) chaired the subcommittee which had been operating for several months by then.

I had opposed the investigation from the beginning. My on-going difference of opinion with the subcommittee staff director was over the very nature of the investigation. He felt there existed a Korean Government conspiracy against the US Government. I believed the investigation was seriously jeopardizing US-Korean relations, which were already extremely strained and complicated by the political atmosphere of the time and the sensationalizing of anything having to do with Korea.

Nevertheless, I cooperated fully in the subcommittee's work.

On or about September 15, 1977, I was told by a subcommittee staffer in a briefing that there was or would be a defection by a Korean diplomat and that the subcommittee was to handle the defection. I was not aware at the time I was informed whether the "defection" had actually taken place. I did not ask for the person's name, duties or place of work.

I insisted that US intelligence or law enforcement agencies were the proper official entities to handle defections, not a congressional subcommittee. I felt that the subcommittee's action amounted to further grandstanding, at the expense of US-Korean relations.

Later that day, I encountered a Korean Embassy official in front of the Longworth House Office Building. At the time, I was also preparing to depart as a member of the US delegation to the Inter-Parliamentary Union (IPU) meeting scheduled for Sofia, Bulgaria.

In 1977 Bulgaria and South Korea did not have diplomatic relations with each other. There being no South Korean embassy in Sofia, I was working to set up a liaison and support mechanism through our own embassy there for the South Korean legislators who were to attend the Sofia IPU meeting.

I believe the Korean diplomat I ran into that day was one of their embassy officials with whom I had been dealing to make these arrangements. I cannot recall which official I spoke with, however.

As for my recollection of what I said, I recall making my comment in the context of the on-going strain I felt the subcommittee was causing US-Korean relations. As I told the SFRC on March 10, 1983, hindsight is always better than foresight. If I had used better judgment, I would have had an easier time over the years in the sense of this controversy.

In the process of the conversation and without giving the matter any serious thought, I casually observed something to the effect that the next problem they would have with our committee was one of their officials as a witness. I did not know the name or duty location of the official who was allegedly going to defect.

This communication occurred either on the steps or in the vicinity of the Longworth Building. There were no further communications on this matter.

Late the next month, October 1977, stories appeared that I was the subject of a grand jury investigation into leaks of confidential information to the Korean Government. This incidentally was the first that I learned of any such investigation. I was immediately bombarded by press questions as to whether I had deliberately leaked information to the Korean CIA about a possible defection, thus putting the "defector" at risk. These questions are akin to the "when did you stop beating your wife?" variety. I denied any deliberate leaking of such information.

I and a number of other people testified before a grand jury in 1977 on this matter. No action was taken against me.

I also recall answering questions from the FBI during the period on the matter but I have absolutely no recollection of any points they raised. Not having kept any notes nor having been shown a copy of any FBI report, I cannot recall what I said.

There was a subsequent investigation by the House Committee on Official Standards of Conduct on this issue. I was neither asked to testify before nor a submit a statement to the committee. My recollection is that I was asked questions, which I answered, by a staff member of this committee

This is in response to question #34 concerning allegations of an Oakland (California) Tribune editorial of December 28, 1988 headlined: "Nazis, Dictators and Derwinski."

The article stated that "before the U. S. Senate approves him, it ought to ask the nominee whether he intends to represent American veterans or Nazi veterans, American Democratic ideals or those of foreign dictatorships."

The major source of the editorial is an article under copyright by Political Research Associates and Mr. Russell Bellant. Mr. Bellant and PRA say he spent four years (aided by associates staff) collecting the material for the publication.

The PRA calls itself "an independent research institute which collects and disseminates information on right-wing political groups and trends ... PRA offers classes on the American right wing, provides speakers for groups and conferences, publishes educational posters, and prepares, on request, specific research reports on topics pertaining to the political right wing."

This report was issued in September, 1988 under the heading, "Old Nazis, the New Right, and the Reagan Administration," and was subtitled, "The Role of Domestic Fascist Networks in the Republican Party and Their Effect on U. S. Cold War Politics."

A condensed version then appeared on November 19, 1988 in the editorial section of the New York Times. The article, signed by Mr. Bellant, was headlined: "Will Bush Purge Nazi Collaborators in the G.O.P.?"

I was never mentioned, either directly or indirectly with any of the individuals, organizations or associations mentioned in either of these two editorials.

The Washington Jewish Week, covered much of the same ground in a lengthy article on September 8, and specifically excluded me from the type of alleged extremisms alleged in the Bellant and Oakland Tribune articles. The Washington Jewish Week stated: "The majority of the 88 individuals named by Bush (to ethnic panels) evidence no apparent extremism. They include Senator Alfonse D'Amato (R-N.Y.) and Undersecretary Derwinski."

However, the Tribune editorial questioned my service "in an organization riddled with former Nazi collaborators ..." Some of the individuals named were alleged to be Fascists, anti-Semites, sellers of forgeries, vicious racialists and corrupt self-seekers.

As a member of Congress and one of those rare Republicans from an ethnic background I have maintained contacts with many ethnic organizations and made many appearances at ethnic affairs. Since 1956, in cooperation with the Republican National Committee, and other responsible organizations, I have spoken at hundreds of meetings attended by thousands of people from many Nations. I have been honored by many different religious, ethnic and national groups. I was unaware of the background of any of the individuals named in the editorial. I did not at any time recruit, enlist or employ any of the individuals named. My contact with individual organizations of American ethnics consisted of speaking at various festivities, holiday or commemorative events.

My public record of 32 years is open and totally positive. I reject any guilt by association attempts as a credible challenge to my public record.

ALAN CRANSTON CALIFORNIA CHAIRMAN
SPARK M. MATSUNAGA HAWAII
DENNIS DECONCINI ARIZONA
GEORGE J. MITCHELL MAINE
JOHN D. ROCKEFELLER IV WEST VIRGINIA
BOB GRAHAM FLORIDA
FRANK H. MURKOWSKI ALASKA
ALAN K. SIMPSON WYOMING
STROM THURMOND SOUTH CAROLINA
ROBERT T. STAFFORD VERMONT
ARLEN SPECTER PENNSYLVANIA
JONATHAN V. STEVENS STAFF COUNSEL, STAFF DIRECTOR
ALAN E. PEAK MINORITY CHIEF COUNSEL, STAFF DIRECTOR

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

January 30, 1989

Honorable Edward J. Derwinski
Office of the Administrator of Veterans' Affairs
810 Vermont Ave, NW
Washington, D.C. 20420

Dear Ed,

Enclosed are some questions in followup to your January 25 written answer to my pre-hearing question 34 and to our meeting on this subject on January 26. I hope you can have answers to these questions back to me by noon on February 1.

As I have told you several times, it is my hope that this matter can be largely resolved prior to the confirmation hearing. Depending on your answers to the enclosed questions, I hope that it will not be necessary for me to ask questions on this subject at the confirmation hearing after you have entered all of your written answers into the record pursuant to the oath you take at the hearing. It may be desirable at that time either for you to offer, or for me to ask you, to make a brief statement about what transpired in connection with that matter and your feelings about it now. Please let me have your views on that.

We will, of course, circulate your replies to all pre-hearing questions to our Committee members prior to the confirmation hearing and release them publicly at the hearing.

With warm regards.

Cordially,

Alan Cranston
Chairman

Enclosure

cc: Honorable Frank Murkowski

ADDITIONAL PRE-HEARING QUESTIONS SUBMITTED BY
SENATOR ALAN CRANSTON TO
SECRETARY OF VETERANS AFFAIRS DESIGNATE
EDWARD J. DERWINSKI

1. At any time prior to your March 10, 1983, Foreign Relations Committee testimony, did you acknowledge having been a source of information to the Korean Government about the KCIA defector? If so, when and to whom?

2. Did you use the word "defector" or any word or words to that effect in your conversation with the Korean Embassy official?

3. It has been reported in the press and we have been advised that the leak resulted in a significant disruption in the Subcommittee's efforts, particularly because various Executive Branch departments and agencies refused to provide sensitive or classified material to the Subcommittee for about 6 months thereafter. Were you aware of these problems and, if so, did you take any steps to alleviate them?

4. You noted in your written answer that you "testified before a grand jury". What did you say in that testimony? Did you acknowledge having provided the information to the Korean Government?

5. You indicated in your written answer that you were asked questions by a staff member of the House Committee on Official Standards of Conduct regarding the leak. What did you tell that person in response to those questions? Specifically, did you deny that you had given the information to the Korean Government?

6. Did you either before, during, or after the House Committee on Official Standards of Conduct concluded its investigation in October 1978 tell any member, or staff member, of that Committee that you had disclosed information about the KCIA agent to the Korean Embassy prior to the agent's defection?

7. At what point did you learn that United States Government agencies had information which suggested that you were the source of the information that the Korean Government received about the defection?

Office of the Administrator
of Veterans Affairs
Washington, D.C. 20420

February 2, 1989

The Honorable
Alan Cranston
Chairman
Committee on Veterans Affairs
United States Senate

Dear Al:

In response to your letter of January 30, I am pleased to review some of the ground we discussed at our January 26 meeting. Please excuse any repetition of our previous discussions and written responses. I believe some redundancy is required, however, to keep the formal record in balance.

What we have been discussing comes from the so-called Koreagate investigation. Disclosures of the period were mainly in other political areas of the legislative and executive branch not involving me personally. The atmosphere was replete with a sensationalization of almost anything having to do with Korea.

Further, as Bill Anderson of my staff noted at our Jan. 26 meeting, a high percentage of the articles in my case cited mainly unnamed "source(s)" not otherwise identified. It was use of this "source" or "sources" that created many false impressions and discrepencies we now see being rewritten (and reexamined). Some stories repeated 11-12 years after an occurrence tend to drift further and further from the basic facts.

That said, there follow responses to the questions in your January 30 letter:

1. I never considered myself a source. However, once I was informed of the grand jury investigation, I engaged counsel. My attorney instructed me not to disclose any comments of mine or exchanges made in closed session in any grand jury proceeding or with respect to congressional or other official investigations into the matter. I did discuss the matter privately on March 9, 1983, with Senate Foreign Relations Committee Chairman Percy and Senator Pell.

Even after I learned about the grand jury investigation, I did not believe that I had passed any real information to the Koreans. I never knew the alleged defector's name, title, or duty station. My mind was focussing on the political debate and my concerns that actions by the subcommittee majority staff would further impair US-Korean relations and US security interests in the Pacific.

2. I cannot recall any precise statement I made. However the point of my observation to the Korean Embassy official was that this would basically be their next public relations problem. In this context, I may have used the word "defector", but I do not remember.

3. If you are referring to the House Foreign Affairs subcommittee looking into alleged Korean Government acts in the US, I recall working with Chairman Fraser to obtain a better flow of information relevant to the subcommittee's investigation from federal agencies.

4. Counsel has advised me that grand jury proceedings are subject to a rule of secrecy. Consequently, I do not think it would be proper for me to address as such the grand jury's questions and my answers to them. As you know, however, I have no problem with (and, I hope you will agree that I have been totally forthcoming) discussing with you now the substance and my best recollection of any matters to which I may have testified before the grand jury.

5. I recall having been interviewed by a committee staff member but I don't recall any of the staffer's questions or my answers.

6. I have no recollection of what I said to any member or staff member of that committee.

7. The late October 1977 press reports were the first I learned of the grand jury investigation. I cannot be certain of my recollection but either I or my attorney soon thereafter formally learned from either the Justice Department or the US Attorney that I was one of several (some 15 I believe) subjects of the grand jury's investigation.

Al, I am also prepared to discuss the allegations that I am somehow tied to Nazis, fascists, anti-semites and other reprehensible persons.

Please let me know whether you need anything further.

Sincerely yours,

Edward J. Derwinski

Chronology of Senator Cranston's Activities
Regarding KCIA Disclosure Issue

* On January 4, I and Committee staff met with the nominee in my office for approximately one hour. On that same day, I wrote to President Bush, noting my meeting with the nominee and requesting that the FBI, as part of its customary background investigation, cover fully the charges raised in the Oakland Tribune editorial of December 28, 1988. I also asked that I have the opportunity to review the report of the FBI's investigation prior to the Committee's hearing on the nomination, which I noted I had tentatively set for late January or early February. I then scheduled the hearing for February 6.

* Following publication of the Los Angeles Times January 12, 1989, article which was the first published report that the nominee had acknowledged to the Foreign Relations Committee in 1983 that in 1977 he had provided information about the KCIA defector to the Korean Government, I asked staff to contact the Office of the White House Counsel on my behalf to ask that the FBI report include, in addition to the 1989 investigation, material reflecting the FBI's involvement in this matter in 1977 and the FBI's full investigation in 1983 in connection with the nominee's confirmation as Counselor at the State Department.

* During the week of January 16, I met, alone or with Committee staff, with members or former members who were involved with the House Subcommittee on International Relations activities in 1977, with the 1978 investigation by the House Committee on Standards of Official Conduct -- commonly known as the House "Ethics" Committee -- or with the Senate Foreign Relations Committee's confirmation hearing in 1983. During the same time frame and in subsequent weeks, the Committee staff located and spoke with staff or former staff involved with each of those Committees and their activities.

* On January 17, I wrote to the Chairman of the House Ethics Committee requesting information from that Committee's files relating to its 1978 investigation. That Committee's January 24 response indicated that the only document in that Committee's files that might be relevant to our Committee's inquiry was a January 1978 letter from then Attorney General Bell to Speaker O'Neill, which included classified enclosures, and as to that document it was suggested that our Committee contact the Department of Justice.

* On January 18, I submitted an initial set of pre-hearing questions to the nominee. He provided answers on January 25 and January 30.

* On January 26, I again met with the nominee in my office for approximately 30 minutes.

* On January 27, I wrote to the Attorney General requesting a copy of the 1978 letter from Attorney General Bell.

* On January 30, I submitted follow-up pre-hearing questions dealing specifically with the KCIA defection issue. The nominee replied to those questions on February 2.

* On February 2, I wrote to the nominee in further follow-up to his answers to certain pre-hearing questions, asking that he be prepared to respond to some of the questions at the Committee's forthcoming hearing on the FY 1990 VA Budget and to others before March 15, the effective date of the new Department of Veterans Affairs. The nominee responded in a February 3 letter.

* On February 2, I was notified that the report of the FBI's background investigation was complete and, early on February 3, I reviewed that report and accompanying materials for nearly two hours. Late that morning, I met with Senators Murkowski and Specter, the only other members of our Committee who had reviewed the FBI report at that time, to discuss certain matters raised by the report. Senator Murkowski and I agreed that the confirmation hearing scheduled for the following Monday would need to be postponed to enable the Committee to acquire and review more materials relating to the nominee.

* At that point and subsequently, I met with and spoke with the White House Counsel, Boyden Gray, and his deputy counsel to request further information from the White House, the Department of Justice, and the FBI.

* I then rescheduled the hearing for February 23, to follow the one-week February recess.

* On February 6, Senator Murkowski and I wrote to the Chairman and Ranking Minority Member of the House Ethics Committee to renew our Committee's request to their Committee for a copy of the 1978 letter from Attorney General Bell. Finally, after an exchange of letters between the Ethics Committee and the Department of Justice, a copy of the Bell letter was made available by the Department of Justice in the early evening on February 9, and Committee staff and I reviewed it on February 10.

* On February 9, following a series of discussions I had involving Senators Murkowski and Specter, Senator Murkowski and I wrote to Mr. Gray, requesting that Mr. Derwinski be given access to certain materials relating to the FBI report. Senator Specter had made a similar request in a letter of February 8. Also, following extensive staff consultation with the Office of Senate Legal Counsel, Senator Murkowski and I, with Senator Specter's support, asked that the Department of Justice be directed to seek disclosure of all records, notes, and materials pertaining to Mr. Derwinski generated by the 1977 Federal Grand Jury that was investigating the KCIA-agent disclosure.

* In a February 14 reply, Mr. Gray answered that the White House had referred to the Justice Department our request that Mr. Derwinski be granted access to materials in the FBI report and our request that the Department seek access for our Committee to materials from the Grand Jury relating to Mr. Derwinski's testimony. Since receiving this reply, Committee staff and I have been working with the Department of Justice regarding our requests. Although the Department has advised that the Attorney General has decided not to seek the Grand Jury materials, the Department has been most forthcoming in all other respects. The Office of Senate Legal Counsel has advised us that without the support of the Department of Justice, there is no likelihood that the Committee could successfully acquire the Grand Jury materials.

* On February 17, the nomination hearing, which was then scheduled for February 23, was rescheduled for March 1, because of scheduling conflicts.

* Throughout this period of time, the Committee's Chief Counsel and Deputy General Counsel had innumerable conversations with the Justice Department, the House Ethics Committee staff, the White House Counsel's office, the Senate Legal Counsel's Office, the FBI, and VA representatives to try to facilitate access to the various materials.

* On February 21 and 23, the Justice Department arranged access for Committee staff to certain important FBI interview reports from the 1977 investigation.

* On February 21, I reviewed carefully the follow-up FBI material I had requested on the alleged Nazi relationship matter.

* On February 21, 27, and 28, I reviewed again with great care the FBI report and associated materials.

* On February 28, the Committee met in executive closed session for 3 hours to discuss certain classified and sensitive information included in the FBI report and to talk with the nominee about certain parts of that information.

Oakland Tribune 12/28/88 Editorial (1)

Nazis, dictators and Derwinski

President-elect Bush's appointment of Undersecretary of State Edward Derwinski as head of the new Veterans Affairs Department puts a low-profile personality in a relatively low-profile job.

But before the U.S. Senate approves him, it ought to ask the nominee whether he intends to represent American veterans or Nazi veterans, American democratic ideals or those of foreign dictatorships.

Those questions are apt, given Derwinski's record of service in an organization riddled with former Nazi collaborators and his alleged role in passing U.S. secrets to the South Korean CIA in the late 1970s.

The record certainly doesn't prove that Derwinski is a closet Nazi sympathizer or a foe of democracy. But it does call into profound question his judgment, in particular his willingness to turn a blind eye to the background and beliefs of notorious colleagues if they share his anti-communism.

As a Republican member of Congress from Illinois from 1958 to 1980, Derwinski espoused the right-wing agenda of the militant "captive nations" lobby, which advocates rolling back Soviet control of the Balkan states and even breaking up the Soviet Union into its constituent nationalities.

This fiercely anti-communist coalition, dominated by Eastern European and Soviet emigres, plays a key role in organizing ethnic support for Republican campaigns through the National Republican Heritage Groups (Nationalities) Council.

In 1972, Derwinski headed the executive board of the council's immediate-forerunner, the Heritage Groups for Re-election of the President.

With him on the executive board were:

■ Frederic Malek, who resigned as Bush's deputy campaign chairman in September after reporters learned that, while working as President Nixon's personnel chief in 1971, he investigated whether a "Jewish cabal" controlled the Bureau of Labor Statistics.

■ Laszlo Pasztor, who as a young Hungarian in World War II joined the local equivalent of the Nazi Party, the Arrow Cross, and became a junior diplomat to Berlin later in the war.

■ Philip Guarino, a friend of the Italian fascist plotter Licio Gelli and alleged member of his secret masonic lodge, which Italian authorities accused of conspiring against the state.

■ And Lev Dobrianski, a right-wing Ukrainian-American activist and founder of the World Anti-Communist League (WACL), which was later denounced by the head of its British chapter as "a collection of Nazis, Fascists, anti-Semites, sellers of forgeries, vicious racialists and corrupt self-seekers."

According to Russ Bellant, author of the recent study "Old Nazis, the New Right and the Reagan Administration" published by Political Research Associates in Cambridge, "at least four people charged with war crimes were in leadership positions" of Derwinski's ethnic support group.

One leader of Byelorussian Americans for Re-election of the President, Bellant says, was Stanislaus Stankievich, who ran the town of Borrisow for the SS in World War II. According to former Justice Department investigator John Loftus, Stankievich was implicated in the murder of 7,000 Jewish men, women and children in 1941, one of the most notorious killing orgies of the war. Even so, the CIA hired him after the war.

Three members of the advisory board of the Latvian-American section of Derwinski's group also had unsavory records:

■ The Justice Department charged Boleslavs Maikovskis with participating in bloody, anti-Jewish pogroms in the Latvian towns of Audrini and Rezekne, where he was chief of police under the Nazis. He left the United States for Germany rather than face deportation last year.

■ Alfred Berzins, now dead, was "a fanatic Nazi" and "responsible for murder, ill treatment and deportation of 2,000 persons," a U.S. government investigation reported.

■ And Vilis Hazners, accused by U.S. officials of overseeing horrible wartime atrocities against Jews, later came to the United States where he ran the Latvian Officers Association, "a thinly disguised self-help group made up in large part of Waffen SS veterans," states Christopher Simpson, author of Blowback, a masterful account of the CIA's recruitment of former Nazis.

Another activist in Derwinski's organization was Nicholas Nazarenko, leader of the Cossack American Republican National Federation, who admitted serving the SS in Romania as an interrogator of POWs. His views don't seem to have changed much in 40 years. In a speech in 1984, he referred to Jews as a "Fifth Column" who had to be "arrested and imprisoned" as a defense against international communism.

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Yet another ethnic Republican in Derwinski's orbit, Ivan Docheff, was once a leader of the National Legion of Bulgaria, a group denounced publicly by other Bulgarian Americans as "fascist." He was a guest of the White House in 1984 while under investigation by the Justice Department for his wartime activities. He was convicted in absentia in Bulgaria but not charged in the United States.

Derwinski has remained a leader of this ethnic effort ever since. In August, candidate George Bush named him co-leader of his Coalition of American Nationalities. Subsequent revelation of the pro-fascist, anti-Semitic background of several of Derwinski's subordinates in the coalition caused a stink. Several of those named in press reports, including Pasztor and Guarino, subsequently resigned from the campaign.

Derwinski had plenty of warning about the backgrounds of most of these men. But as former congressional staffer Robert Boettcher once observed, "When racists for dictators were criticized, Derwinski put aside his personal distaste for some of their policies and courageously defended them if they were strong anti-communists."

Boettcher had first-hand knowledge of Derwinski's views. He ran the investigation of South Korean influence peddling in the late 1970s for the House subcommittee on International Relations, chaired by Rep. Donald Fraser, D-Minn. Derwinski was the ranking Republican on the subcommittee. An outspoken defender of the Korean dictatorship, he tried to cut funds for the probe.

During the height of the investigation, in 1977, the head of the Korean Central Intelligence Agency (KCIA) for the entire Northeastern United States contacted Fraser to defect and tell his story. Fraser handled the plans with the utmost secrecy, informing only Derwinski of the defection. "The staff briefed Derwinski at 4:15 p.m.," Boettcher noted in his book, Gifts of Deceit. "By five o'clock, the KCIA had learned that one of its officers in New York, unnamed, was about to defect." Fortunately, the FBI found him before the KCIA did.

The Wall Street Journal later reported that the State Department, CIA and Pentagon concluded that Derwinski probably had betrayed the defector. (He denied it, claiming to be a victim of "guilt by association" for his "consistent support for South Korea.") The Justice Department actually brought an obstruction-of-justice case before a grand jury, which reportedly was persuaded of his guilt. But the case was ultimately dropped because the most persuasive evidence, an intercepted telephone call between Derwinski and Korean officials, was too sensitive to release in court.

But the repercussions continued. The affair "crippled the Fraser investigation for six months," according to Boettcher. "The Departments of State, Justice, Defense and the CIA stopped providing classified material to the subcommittee because of the unresolved breach of security."

Yet Derwinski came out fine. After his defeat for re-election in 1980, Derwinski joined the Reagan State Department. Soon he may join the Cabinet.

Will Congress greet this former colleague with a pat on the back? Or will it stand up for America's veterans and reject as their representative a man who so little respects

Derwinski Tipped S. Korea on Defector, Then Denied It

LA Times 1/12/89

By RONALD J. OSTROW and ROBERT L. JACKSON, *Times Staff Writers*

WASHINGTON—Edward J. Derwinski, President-elect Bush's choice to head the new Department of Veterans Affairs, concealed for more than five years that he had leaked confidential information in 1977 to a South Korean diplomat—a leak that federal investigators say could have cost the life of a Korean intelligence officer who was about to defect to the United States.

Derwinski, who served 24 years in Congress as a Republican from Chicago, publicly denied the charges when they were raised in 1978. He dismissed the leak allegations as "guilt by association" because he was known to be friendly toward anti-communist governments, including South Korea's.

He refused to testify before a federal grand jury that investigated the matter, and he gave no statement to the House Ethics Committee, which also looked into the episode.

Both inquiries ended inconclusively. U.S. officials said that pursuing them could have disclosed sensitive "sources and methods" of the American intelligence community.

But the unpublished record of a 1983 congressional hearing shows that Derwinski admitted then that he had given the confidential information to a Korean diplomat in a phone call.

"This guy [the Korean defector] would have been severely punished or killed, as well as his family," a senior law enforcement official said recently, noting that Korean CIA agents arrived at the defector's home a half hour after FBI agents had escorted him to safety.

The September, 1977, phone conversation between Derwinski, who was in his congressional office, and the South Korean Embassy was recorded by U.S. intelligence and helped spark the subsequent investigation.

During the call, Derwinski leaked word of the planned defection, government sources said.

Episode May Haunt Him

Now, on the eve of Senate confirmation hearings on his nomination to head the new Veterans Department, Derwinski's involvement in the episode and his early lack of candor are coming back to haunt him.

Sen. Alan Cranston (D-Calif.), chairman of the Senate Committee on Veterans Affairs, wrote President-elect Bush last week saying that the charges "must be covered by the FBI in its customary background investigation." Cranston asked for a copy of the FBI report before the committee's hearing on Derwinski's nomination.

FBI agents already have interviewed the nominee and are expected to focus on the incident in their background report.

The newly surfaced hearing record shows that, in 1983, Derwinski belatedly admitted the basic truth of the allegations. Documents show that Derwinski, now an undersecretary of state, made his first admissions in a closed meeting with senators just before he was confirmed to his first State Department post, as counselor, in March, 1983.

A transcript of Derwinski's little-noticed confirmation hearing—never printed or published by the Senate but found in the National Archives—shows that Sen. Claiborne Pell (D—R.I.) insisted on putting on the public record what Derwinski had told the panel privately the day before.

Pell referred to Derwinski's telephoned tip to the Korean Embassy as "an error in judgment" and suggested that Derwinski "should say just what he did [say] to us yesterday in that meeting."

Pell was referring to charges that Derwinski had tipped off the embassy that Sohn Ho Young, a high-ranking official of the Korean CIA, was preparing to defect in the face of an imminent transfer from his New York base back to South Korea.

The Justice Department and Congress at the time were investigating a scandal that came to be known as Koreagate—covert payments to members of Congress by South Koreans in an effort to influence U.S. policy toward that nation.

A panel on which Derwinski was the ranking Republican—the House Foreign Affairs subcommittee on international relations—had secretly been in touch with Sohn and planned to have him testify about the Korean CIA's involvement in the scandal. The information about Sohn's plan to defect was so sensitive that former Rep. Don Fraser (D-Minn.), who was chairman of the subcommittee at the time, told only one other member about it—Derwinski.

The next day, the subcommittee was informed by a Justice Department official that the Korean CIA had been told of Sohn's intention to defect. After trying unsuccessfully to warn Sohn, Fraser turned to the FBI, which dispatched agents to Sohn's New Jersey home. They escorted the defector from his home, along with his family, about half an hour before Korean CIA officials arrived there to stop the defection.

According to the Senate transcript, Derwinski acknowledged that he had mentioned the imminent defection during a phone conversation with Korean diplomats on another subject. He said the defector was to be asked to testify as part of "an ongoing [subcommittee] investigation which I had opposed from the beginning."

Derwinski said he had opposed the investigation because "I felt we were endangering U.S.-Korean relations at a time of the discussion of [U.S.] troop withdrawals."

He told senators that he never mentioned the name of the intended defector and termed his le "inadvertent." He said he nev gave the matter "any seriou thought." Derwinski added that considered this [Sohn's planne testimony] sort of a grandstan development at the committee lev el, of which I did not approve."

"I really did not think it woul have any complications," Derwin ski said of the phone call, accordin to the transcript.

When asked if he realized tha Sohn might be in danger as a resul of his tip, Derwinski told the sena tors: "It never crossed my mind. In fact, I was not aware whether . . the defection had actually taken place. . . . Hindsight is always better than foresight."

Derwinski, who has had a reputation for candor during his 2 years in Congress and nearly six years at the State Department, refused to discuss his role in the Korean incident with Times reporters this week.

Bill Anderson, a former Chicago newspaperman who is assisting

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Derwinski during the change in administrations, described the incidents as "an 11-year-old story, a non-event."

"He was not charged with any illegal or unethical conduct," Anderson said. "That's the operative comment."

An attorney who represented Derwinski at the time refused to discuss the case.

Sheila Tate, a spokeswoman for the Bush transition office, said: "Any questions that arise will be answered by Mr. Derwinski at his confirmation hearings." She added: "I am not privy to any FBI information."

According to the 1983 transcript, members of the Senate panel commended Derwinski on his admission and said they were willing to forgive one instance of "poor judgment" when matched against 24 years of congressional service.

Issue Raised by Cranston

Derwinski last week paid a courtesy visit to Cranston, who will preside over his confirmation hearings. During their meeting, Cranston raised the Korean issue, and Derwinski neither admitted nor denied tipping off the Koreans, according to an individual who was present. He was "rather vague" about it, this source recalled.

Robert Boettcher, former staff director of the subcommittee on which Derwinski served, said Derwinski had been angry when he was accused of having leaked word of the defection. In a 1980 book about the Koreagate scandal, Boettcher said Derwinski had contended that his friendliness toward South Korea had led to the accusation and that he had told the staff: "I wind up as suspect No. 1 because of guilt by association."

According to Boettcher, Derwinski reported that, when he was called before the grand jury investigating the incident, he refused to answer questions, citing the "speech and debate" clause of the Constitution, which grants members of Congress immunity from prosecution for certain activities in the course of their official duties.

Boettcher wrote also that the Departments of State, Justice and Defense and the CIA had stopped providing classified material to the subcommittee for six months because of the unresolved breach of security. This seriously impeded the panel's inquiry into South Korean affairs, he said.

Grand jurors subsequently issued a sealed report that was given to the House Ethics Committee. When the committee concluded its inquiry in October, 1978, Rep. James H. Quillen (R-Tenn.) told the Associated Press that Derwinski was "completely cleared."

But Chairman John J. Flynt Jr. (D-Ga.) said that "insufficient evidence" had prevented the committee from taking action. And Rep. Lee H. Hamilton (D-Ind.), who headed the inquiry, told the Washington Post that "publication of the evidence [held by the intelligence community] would jeopardize intelligence sources and methods."

Flynt died in 1985. Hamilton refused to discuss the case this week.

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Unaware of Derwinski Tip on Agent, Bush Aides Say

By RONALD J. OSTROW and ROBERT L. JACKSON,
Times Staff Writers

WASHINGTON—Top aides to President-elect Bush, launching a review of FBI findings that Edward J. Derwinski leaked sensitive intelligence information to the South Korean government, said Friday that they did not know about the evidence before Bush chose him for the Cabinet.

C. Boyden Gray, who reviews the backgrounds of Cabinet designees, said that he was unaware before Derwinski's selection to be secretary of the new Department of Veterans Affairs that the FBI had concluded the former congressman tipped off the South Korean Embassy in 1977 about the impending defection of a Korean CIA official to the United States.

Federal investigators said that Derwinski's warning could have cost the defector, Sohn Ho Young, his life.

"This guy [the Korean defector] would have been severely punished or killed, as well as his family," according to a senior law enforcement official, who noted that FBI agents had escorted the defector to safety only a half-hour before Korean CIA agents arrived at his home.

Gray, who is Bush's counsel, said in an interview that he also did not know Derwinski had changed his story about the incident—first denying it and claiming that he was the victim of "guilt by association," but then admitting it in unreported Senate testimony on his confirmation to a State Department post in 1983.

John H. Sununu, Bush's chief of staff, said Friday in a meeting with Times reporters that he had discussed Derwinski's situation with Gray after learning of the news account and that Gray "agreed to go back and review it."

Bill Anderson, a former Chicago newspaperman who is acting as spokesman for Derwinski during the transition, said that the former congressman was not available for comment Friday. Asked why Derwinski never told Gray about the controversy, he said: "I don't know if he did or he didn't."

Gray, who was briefed by FBI agents on Derwinski's actions only hours before The Times reported them, said that it would be "dangerous to comment" on whether he was disturbed by the FBI's findings, because the information is "incomplete."

Arrest Records

"There is a lot we don't know," Gray said. "We're going to wait until the [FBI] investigation is complete and then we'll go over the information with Derwinski."

Gray, who was briefed only on the findings about the defector, estimated that the FBI's full background investigation of Derwinski will be completed in about a week.

In cases of Cabinet designees such as Derwinski, who currently hold government jobs that were subject to Senate confirmation, "we weren't doing any checks" before announcing their selection, Gray said. Derwinski, a 12-term Republican congressman from Chicago, was named counselor at the State Department and later undersecretary of state by President Reagan. The Senate confirmed him for both positions.

Gray said that name or agency checks were run on Derwinski, but that these turn up only such things as arrest records.

The Derwinski nomination appears to have been passed through the selection process more quickly than most of Bush's other selections.

Bush had received a list of other names for the veterans post, but he turned to Derwinski after all of the others encountered problems, Bush aides have indicated.

Derwinski himself said the day of his selection that while he had been interested in other positions in the new Administration, the first he had heard that he was being considered for the veterans job was the day before the announcement when Bush called and offered him the job.

Derwinski publicly denied that he had told Korean officials about the defection when the charges were raised in 1978. He dismissed the leak allegations as "guilt by association" because of his reputation as a staunch friend of anti-communist governments, including South Korea. He refused to testify before a federal grand jury that investigated the matter, and he gave no statement to the House ethics committee, which also looked into the episode.

Both inquiries ended inconclusively. U.S. officials said that pursuing them could have disclosed sensitive "sources and methods" of the American intelligence community. Government sources said that this referred to phone taps and other surveillance of some embassies in Washington maintained by the National Security Agency.

Phone Conversation

It was such surveillance that government sources said picked up a September, 1977, telephone conversation between Derwinski, who was in his congressional office, and the South Korean Embassy. During the call, Derwinski leaked word of the planned defection, the source said.

In 1983, five years after his denial, Derwinski admitted that he had given the highly sensitive information to a Korean diplomat in a telephone call, according to the unpublished record of a Senate confirmation hearing on his first State Department post.

At the time of the tip, the Justice Department and Congress were investigating a scandal that came to be known as Koreagate. It involved covert payments to members of Congress by South Koreans in an effort to influence U.S. policy toward that nation.

Derwinski said that the defector was to be asked to testify as part of "an ongoing [House subcommittee] investigation which I had opposed from the beginning." He told senators that he never mentioned the name of the intended defector and termed his leak "inadvertent." He

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(2)

added that "I considered this [Sohn's planned testimony] sort of a grandstand development at the committee level, of which I did not approve."

Derwinski, in the transcript of his 1983 meeting with senators, sought to minimize the importance of the defection, saying that he had not given much thought to tipping off the South Koreans about Sohn.

Derwinski, referring to Sohn's 1978 testimony before the international relations subcommittee of the House Foreign Affairs Committee, of which the then Illinois congressman was a member, said:

"The individual turned out to be not very valuable in the sense of giving the committee any information and the whole issue passed away."

However, former congressional staff members challenged this assessment Friday and said that Sohn had been "very valuable", as an informant, furnishing the subcommittee with KCIA code books and turning over written plans for covert KCIA operations in the United States.

These aides said that the KCIA plans envisioned the recruitment of American citizens from all walks of life—government, communications, business, religious life and universities—to sway American public opinion in favor of the government of Park Chung-hee.

Illegal campaign contributions to members of Congress, the use of unregistered foreign agents for covert operations in the United States and "infiltration" of the Joint Chiefs of Staff were all proposed in the KCIA plans furnished by Sohn, they said.

Chicago Tribune
Saturday, October 29, 1977
Final

U. S. probing Derwinski

Quizzed in Korean spy 'leak'

By James Coates
Chicago Tribune Press Service

WASHINGTON—The Department of Justice is investigating whether Rep. Edward Derwinski (R., Illinois) leaked information to the South Korean government about the imminent defection of a top Korean intelligence agent.

Rep. Lee Hamilton (D., Ind.) said a person close to the investigation told him that investigators believe that Derwinski told the Korean Embassy immediately after learning the defection plans of a Korean agent based in New York.

Derwinski told The Tribune that he has been asked to decline him, but he denied he deliberately tipped off the Koreans to the defection plans of Sohn Young Ee, a Korean Central Intelligence Agency official who came under federal protection Sept. 16.

Rep. Richard Gooding (R., Pa.), a Derwinski colleague who got the classified information about Sohn's defection plans along with Derwinski, said the FBI has questioned members and staff of the House International Organizations Committee about the leak.

SUBCOMMITTEE members said the defection of Sohn was orchestrated by the staff in cooperation with United States intelligence officials as part of an ongoing investigation into Korean efforts to influence U. S. policy. That investigation, separate from the Ethics Committee inquiry to identify congressmen who took bribes, is headed by Rep. Donald Fraser (D., Minn.).

Rep. Michael Harrington (D., Mass.), another subcommittee member, said the plans to obtain Sohn's defection were discovered shortly before the KCIA operative actually defected.

Derwinski said, "I am not in touch with, I have not been in touch with the KCIA." In a short telephone interview, he added, "I don't know that I've even met a KCIA man. It would be impossible for me to be in touch with the KCIA because I know no one from there.

"CONSEQUENTLY, I could never have deliberately tipped off the KCIA," he said. "I wouldn't know a KCIA man from the proverbial hole in the wall."

Gooding, who shares Derwinski's conservative views on many Korea-related issues, charged there were "obvious partisan motives at work" in focusing the investigation on Derwinski.

Gooding said that each member of the subcommittee was interviewed by the FBI about 10 days ago. Gooding and two other members told The Tribune that the FBI agents indicated they suspected either the staff or a member for tipping the KCIA about Sohn's impending defection.

The leak of information apparently angered the FBI and the CIA, which worked with the subcommittee during the period when the U. S. was trying to persuade Sohn to defect.

HARRINGTON SAID Fraser went to the Justice Department and asked for the investigation after U. S. intelligence agencies threatened to cut off information to the subcommittee with secret data because of the Sohn defection leak.

There were strong indications that the investigation quickly centered on the two Republican members of the subcommittee—Gooding and Derwinski.

Both Harrington and Rep. Benjamin Rosenthal (D., N.Y.) said they were questioned performance by FBI agents. The two Republicans, however, described much kinder FBI conferences.

Derwinski charged, "There is more here than has surfaced, and some of it may never surface." He said both political and personality conflicts are involved.

Derwinski frequently has exchanged heated rhetoric with Fraser and other Liberal Democrats about the subcommittee's investigations of human rights questions involving Korea and various schemes Seoul allegedly used to influence U.S. policy.

ONLY A FEW Republicans have been mentioned as the Congress-conducted extensive investigations—both by Fraser and the Ethics Committee—into Korean activities in Washington. Derwinski is by far the most prominent Republican to be enmeshed in the scandal.

Derwinski said there were 20 or 30 members and staffers of the Fraser subcommittee who knew as much about the case as he did and that most of them knew more.

"I don't have any Korean skeletons in the closet," he said. "I have not had a problem with the other allegations (of Korean influence buying) because my position on Korea has been consistent."

Gooding said the FBI interview conducted in his office centered on a Sept. 15 session during which he and Derwinski were briefed by the subcommittee's minority staff.

Gooding said Larry Suk, minority counsel, told both him and Derwinski in the briefing that Sohn's defection was imminent. "That was one of many things he (Suk) told us that day, and quite frankly, I wasn't interested in the information or much of anything else he had to say that day," Gooding said.

HARRINGTON—a critic of leaking classified data two years ago and subsequently cleared on prosecutorial grounds—said the committee was briefed about the leak problem in late September.

He said members of the staff told a closed session that they had been "working on" Sohn several months before the defection. They said that at the time unnamed staff believe he defected the staff "received strong indications" that the Korean government had learned of Sohn's defection.

Former KCIA operatives have delivered most of the testimony that has alerted the Justice Department and the House Ethics Committee to build cases outlining the influence-buying scheme the KCIA had here in the late 1960s and early 1970s.

Thus, Harrington said, Sohn was considered a "plum," and both the congressional staff and U.S. intelligence agents worked to obtain his defection from the Korean mission in New York City.

THE WALL STREET JOURNAL reported in its Friday editions that Derwinski was the target of the leak investigation and said the Justice Department was planning to take its case to a grand jury within a matter of days.

The Justice Department refused to comment about the case, even to say whether Derwinski was the target. Sources in the department said, however, that reports that a grand jury would soon hear the charges were premature.

Derwinski said he hired a Washington attorney, Thomas A. Kennelly, to represent him and "assumed" Kennelly had discussed the case with the Justice Department.

Kennelly was not immediately available for comment.

Derwinski said a staff memo prepared in late September disclosed how the defection of Sohn was almost thwarted.

ACCORDING TO that account, the KCIA received word in New York on Sept. 18 that Sohn was defecting. A squad of KCIA men went to the Korean office in Manhattan to see Sohn but by the time they arrived there he had left for his home in New Jersey.

The KCIA squad went to Sohn's New Jersey house only 30 minutes after the FBI had picked up the Korean and his family and taken them to an undisclosed hiding place. FBI agents were still at Sohn's home when the KCIA arrived.

COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

FOR IMMEDIATE RELEASE 14 OCTOBER 1978

Chairman John J. Flynt, Jr. announced today that the Committee has voted that no action be taken on a matter, referred to the Speaker of the House by the Attorney General, involving unauthorized disclosure of certain secret House Committee information to a foreign government. Chairman Flynt said the Committee concurred in the recommendations of a subcommittee consisting of Mr. Hamilton, Mr. Preyer, Mr. Quillen, and Mr. Cochran.

The Chairman explained that he appointed the subcommittee to investigate facts contained in a written referral from the Attorney General to the Speaker dated 24 January 1978. The Speaker referred the matter to the Committee on Standards of Official Conduct the same day. Chairman Flynt said that the then Special Counsel agreed to look into the matter using the staff already assembled. On August 2 1978 the Special Counsel said that he had completed his services with the Committee and left the referred matter unresolved.

Chief Counsel John Nields continued to work closely with the subcommittee to complete the investigation. On 27 September 1978, the subcommittee unanimously recommended to the full Committee that no further action be taken and that the discussion of the matter be limited because of its highly sensitive nature. The Committee voted on the same day to unanimously approve the subcommittee recommendation.

According to the Chairman, the Committee voted unanimously to take no further action after the subcommittee determined that there was insufficient evidence to sustain a Statement of Alleged Violation against any one of fifteen or more possible suspects.

Washington Post 10/15/78 P. A15

House Halts Derwinski Investigation

By Charles R. Babcock
Washington Post Staff Writer

Fear of disclosing intelligence sources and methods has quashed a House investigation into charges that Rep. Edward J. Derwinski (R-Ill.) warned the South Korean government last year that one of its intelligence agents planned to defect.

Rep. Lee Hamilton (D-Ind.), who headed the inquiry for the House Committee on Standards of Official Conduct, said yesterday that "publication of the evidence (held by the intelligence community) would jeopardize intelligence sources and methods."

A federal grand jury also investigated the case last year without returning an indictment. The Washington Post reported then that a U.S. intelligence intercept of a phone call to the Korean embassy apparently implicated Derwinski.

Attorney General Griffin B. Bell then referred the case to the House for possible action.

The official committee announcement yesterday by Chairman John J. Flynt Jr. (D-Ga.) said only that "insufficient evidence" prevented the ethics unit from taking action. His statement did not mention Derwinski.

Derwinski has denied that he told the Koreans last fall about the imminent defection of Sohn Ho Young after the Korean CIA officer contacted a House International Relations subcommittee on which the congressman served.

Derwinski said yesterday that he has never been questioned by House investigators about the allegations. Rep. James H. Quillen (R-Tenn.), another ethics committee member, told Associated Press yesterday that Derwinski was "completely cleared" by a Hamilton investigation.

But another source close to the investigation said the unusable intelligence information definitely pointed to Derwinski as the leak.

FBI agents rescued Sohn last fall about half an hour before alerted KCIA officials arrived at Sohn's home to stop the planned defection. Sohn later testified about a 1976 KCIA plan to buy influence in the United States.

U.S. intelligence agencies commonly resist "attempts to use information gathered by their supersecret intercepts of embassy cable traffic, or by double agents, as a basis for prosecuting alleged criminal conduct. They argue their sensitive techniques must be safeguarded.

Investigators complain, however, that foreign governments already know their messages are likely to be intercepted, even by allies, and that the fear of disclosing "sources and methods" prevents the punishment of guilty individuals.

New Republic 2/21/83

KOREAN QUERY

Remember Koreagate, the influence-buying scandal in which the government of the Republic of Korea was found to have distributed more than $850,000 in payoffs to members of Congress? Throughout the scandal, even after the full extent of the South Korean abuses had come to light, the Korean government found no more passionate an advocate than Representative Ed Derwinski, Republican of Illinois. Last year Mr. Derwinski was defeated in his bid for a thirteenth term in the House. Now President Reagan has announced his intention to nominate him as counselor of the State Department, the seventh most important post in the American diplomatic hierarchy.

In March 1977, as the ranking minority member on Representative Donald Fraser's International Organizations Subcommittee, Mr. Derwinski tried to block funds for a stepped-up investigation into the Korean payoffs on the Hill. He wanted the investigation stopped, he said, "because I don't think the Korean style of diplomacy is all that different from other countries. . . . The Koreans have been rather ham-handed about it, evidently. But we have enough other issues to worry about." A few months later Tongsun Park, man about town and K.C.I.A. agent, was indicted on conspiracy and bribery charges. He chose to flee the country rather than face trial. Twenty-four Congressmen were eventually implicated in the bribe-taking, including Representatives Richard Hanna of California ($200,000), Otto Passman of Louisiana ($213,000), and Cornelius Gallagher of New Jersey ($60,000).

Mr. Derwinski was not among the bribe-takers. But his efforts to protect his Korean friends seem to have gone beyond mere words. In September 1977 investigators for the Fraser Committee learned that the K.C.I.A. station chief in New York, Sohn Ho Young, wanted to defect to the U.S. and testify before the committee. When Mr. Derwinski (a recipient of the Gwangha Medal, the South Korean Order of Diplomatic Service Merit) was briefed about the possibility, he reportedly passed the knowledge on to a South Korean embassy official in a phone call intercepted by American intelligence gatherers. Informed of Mr. Derwinski's leak, F.B.I. agents beat K.C.I.A. operatives to Mr. Sohn's suburban New York home by half an hour, and the defector was whisked to safety.

DID MR. DERWINSKI in fact tip off the K.C.I.A.? A federal grand jury that looked into the possibility of wrongdoing handed down no indictment. But this does not necessarily mean that Mr. Derwinski didn't make the phone call. His attorneys sidestepped the question by invoking the "speech and debate" clause of the Constitution, which assures members of Congress immunity from prosecution for actions related to their official duties. And, according to participants in the investigation, it was the nature, not the substance, of the evidence against Mr. Derwinski that ruled out an indictment: the U.S. government could hardly admit that it was tapping South Korean Embassy phone lines. Instead, the grand jury took the unusual action of providing a secret report on Derwinski's role to a D.C. District Court judge, a document immediately put under court seal.

Mr. Derwinski contends that there is no truth to the allegation that he tipped off the K.C.I.A. on Mr. Sohn's defection. (He does admit that he may have called the Korean Embassy on the day in question, saying that he did so "dozens of times" in the course of his official duties.) And, even in the aftermath of Koreagate, he continues to maintain that the South Korean government was guilty of no wrongdoing. "The investigation was a waste of the taxpayers' money," he says. "The South Korean government has only conducted itself as other foreign governments do in their lobbying activities." (If Mr. Derwinski has evidence that other nations are passing out cash-stuffed envelopes on Capitol Hill, he might want to share such information with the F.B.I.)

Mr. Derwinski is certainly not the worst imaginable candidate for counselor of the Reagan State Department. Apart from his obsession with Korea, he is a routine Reagan conservative. His politics, in any case, are not the issue. If the White House is serious about going ahead with his nomination, it has a clear responsibility to investigate independently the allegations in the Sohn case. If the findings show complicity, the appointment should not be made; and if it is made, it should not be confirmed by the Senate.

NOMINATION OF EDWARD J. DERWINSKI

TO BE COUNSELOR OF THE DEPARTMENT OF STATE

- - -

Thursday, March 10, 1983

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United States Senate

Committee on Foreign Relations

Washington, D.C.

The committee met, pursuant to notice, at 10:03 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Charles Percy (chairman of the committee) presiding.

Present: Senators Percy (presiding), Helms, Murkowski, Pell and Sarbanes.

The Chairman: The committee will come to order.

This morning, the Committee on Foreign Relations meets to consider the nomination of Edward Derwinski to be the Counselor of the State Department. The Counselor holds one of the top policy-making jobs in the field of foreign affairs and by tradition is closely associated with the Secretary of State. The Counselor can play a number of different roles as an advisor to the Secretary on foreign policy, as well as providing guidance to the Department's specialized bureaus. In the past, the Counselor has also undertaken special international negotiations and consultations at the direction of the Secretary.

There are few people I can think of who are better prepared than Ed Derwinski to tackle this demanding assignment. First, he is a native of Illinois, born and raised in "a city that works", as we call it, the city of Chicago. That is a great credential in almost any endeavor.

Second, he has had many years of experience in the field of foreign policy, serving as a senior member of the House Foreign Affairs Committee, working in that capacity with both Republican and Democratic administrations.

Third, he has the full faith and confidence of Secretary Shultz, which is absolutely essential to be an effective Counselor. Fourth, Ed Derwinski has an expert understanding of congressional-executive relations which will be a great asset to the Administration in presenting its programs and policies to both houses of Congress.

In its strong endorsement of this nomination, the Chicago Tribune made two key observations noting that "He will be an adept global troubleshooter, particularly on Eastern European affairs and that he has been an humble figure in public office, tuned to his constituents' opinion and accessible to them at home and in the Capitol."

Without objection, I would like to insert the entire verbal introduction. I would just simply comment that, in his new constituency, which might be the Department of State as well as the Congress of the United States now, we don't

expect him to assume the position in humility necessarily, just as his constituents at home in yesteryears, as I presume he will be responsive to the understanding and he will, like no other Counsel that I can recall, really understand the inuendos, the subtleties and the working partnership that can and should exist between the Executive branch and the Congress.

As far as this committee is concerned, for the most part, his tenure has been bipartisan on most issues, and certainly, he has achieved the admiration and respect, not only of this committee but in the entire Congress, of members on both sides of the aisle.

I think that both statements of the Chicago Tribune reflect the tremendous strength that Ed Derwinski will bring to this new assignment. He has the ability to grapple with complex foreign policy issues, while insuring that those issues are fairly representive in the American people.

Ed Derwinski, we welcome you to the Committee this morning. You are among old friends here in the Senate, on the south side, and we are confident that this friendship will only go deeper when you assume your new responsibilities.

I am extremely pleased to recognize now, our beloved and distinguished colleague, great Senator, and great friend. I would be very happy to hear if you have any comments that you would like to make at this time.

STATEMENT OF THE HONORABLE ALAN DIXON

A UNITED STATES SENATOR FROM THE STATE OF ILLINOIS

Senator Dixon: Mr. Chairman, I welcome my great friend and senior colleague from my great state.

Today, I am pleased to present to you and your committe my long friend Edward Derwinski, of Floossmoor, Illinois who has been nominated, as you have already indicated, for the position of Counselor to the State Department.

As I am sure we are all aware, Mr. Derwinski has just concluded twenty-five years of exeptional public service as a congressman of the old Fourth District of Illinois. As a former colleague of ours, he has admirably served not only his Illinois constituency but also the entire nation, by distinguishing himself as a recognized expert on foreign affairs. In that capacity, Mr. Derwinski is particularly well qualified for the position to which he has been nominated.

He served as a member of the House Committee on Foreign Affairs since 1963. He served on the subcommittees on International Organizations and International Security and Scientific Affairs.

Congressman Derwinski was a U.S. Congressional representative on the Council of the Interparliamentary Union, an international body comprised of legislators from over 100 countries which have parliamentary forms of

government. He has been a member of the U.S. Congressional delegation to IPU since 1959, U.S. Chairman in 1971-72, and 1979-80. In this capacity he has become a recognized leader in working meetings and communications with parliamentarians of and other nations.

In addition, Ed Derwinski was appointed as a delegate, with the rank of ambassador, to the United Nations for the 1971 UN general assembly sessions. He has been an acknowledged leader in Congress of international organizations in foreign policy, and he is regularly consulted by the President and by the Secretary of State.

Further, Mr, Chairman, during his tenure, Mr. Derwinski has kept alive the congressional tradition of a bipartisan foreign policy, so necessary to the effective formulation of a consistent U.S. position in the world.

I am happy to present him to you, and I heartily recommend him for the position of Counselor to the State Department.

If I may just indulge, Mr. Chairman, in a friendlier side. I came to know Ed. Derwinski in 1956, as a young member of the House when he joined me there. He was an outstanding member of the House. The folks in his area, appreciative of the outstanding service he had rendered, then sent him to the Congress, where he served with great distinction as we both know for more than two decades. Had

it not been for the tragedy of loosing two seats in our Illinois congressional delegation, which forced our legislature to reapportion our state, I am satisfied, beyond any doubt --

The Chairman: I thought you were mentioning the two seats that the Republican lost.

[Laughter.]

Senator Dixon: May I say that he kept that old congressional district satisfied and beyond any doubt, Ed Derwinski would have served the remainder of his lifetime with the Congress, ably serving the people of his congressional district, the old Fourth Illinois district.

He is warm friend, a great American, and I am very happy to warmly endorse his nomination for this high post.

The Chairman: I cannot tell you how much the Chair appreciates that warm endorsement. It is certainly bipartisan, the spirit and the support that Ed. Derwinski has. In talking to so many of my colleagues on this Committee, probably the greatest tribute that a nominee can have is that they do not feel it is necessary. They have already privately indicated their strong support and their enthusiasm for the appointment.

I thank you, Senator Dixon, very, very much indeed.

Senator Dixon: I thank my dear friend, the Chair.

The Chairman: Now we will be happy to have any

statement, Congressman Derwinski, that you would care to make at this time?

Mr. Derwinski: I have a two-page statement which I would ask be inserted in the record in full.

The Chairman: It will be inserted in the record in full.

(Bio follows:)

EDWARD J. DERWINSKI

Position for which considered: Counselor to the Department of State

Present Positions:	Congressman, House of Representatives Director, United Savings of America
Office Addresses:	U.S. Congress, Washington, D.C. 4730 W. 79th Street, Chicago, Illinois
Born:	9/15/26; Chicago, Illinois
Legal Residence:	Flossmoor, Illinois 60422
Marital Status:	Married
Family:	Wife - Patricia Ann Van Der Giessen Derwinski Children: Maureen Sue (21) Michael Stephen (15)
Home Address:	2916 Polly Lane Flossmoor, Illinois 60422
Mailing Address:	4121 N. River Street Arlington, Virginia 22207
Education:	Mt. Carmel High School, Chicago, Illinois; 1940-44 Loyola University of Chicago, Chicago, Illinois; 1944-52; B.Sc. History
Language Ability:	Polish (good)
Experience:	
Non-Government	Director, United Savings of America; 6/75 - present Director, West Pullman Savings & Loan Association; 8/47 - 6/75 President, West Pullman Savings & Loan Association; 8/47 - 1/59
Government	Member of Congress, House of Representatives, 1/59 - 1/83 Illinois State Representative, 1/57 - 12/58 Member, Illinois-Indiana Bi-State Port Commission; 1957 - 58

STATEMENT OF EDWARD J. DERWINSKI OF ILLINOIS
NOMINEE FOR THE POST OF COUNSELOR
OF THE DEPARTMENT OF STATE

Mr. Derwinski: You maybe touched on some of these points. So did Senator Dixon, so I think I will just touch on the highlights.

I should add that, after listening to your flowery introduction, and the flowery introduction by Alan Dixon, it is a good thing that modesty has always been one of my virtues. I will not let the slight exaggerations influence my judgment. But, as you know, the position of Counselor does not really have any fixed responsibilities. It really depends on the Secretary and how he utilizes the Counselor.

My immediate predecessor was former Senator Jim Buckley. I inherited some responsibilities that he was working with, as well as his staff, and I will be working with Secretary Shultz in some general areas that he has indicated which, I suppose, will be adjusted from time to time.

But I do expect to be involved in issues such as the Caribbean Basin Initiative. When I was in the House, I was the cosponsor of Radio Marti legislation and there we followed up the relations with our European allies.

The special interests involving the Soviet Union and Eastern European countries has been an area in which I have long concentrated and I would imagine these areas and any

others so required by the Secretary, that I would be hopefully of practical and positive value to him.

I think in the interests of furthering the proceedings, I will just stop at that point and entertain any questions you and Senator Pell may have.

[The statement of Mr. Derwinski follows:]

STATEMENT OF EDWARD J. DERWINSKI

BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE

MARCH 10, 1983

It is an honor to have been nominated by President Reagan for the position of Counselor of the Department of State.

Historically, the basic function of the office has been to provide advice and assistance to the Secretary of State on major issues of American foreign policy. During certain periods the Counselor has held additional responsibilities, however. These include head of the policy planning function; representative of the Department on various NSC working groups; advisor to the Secretary on Soviet and European affairs; Congressional relations; and coordinator for international conferences.

Thus, the position of Counselor has had no fixed responsibilities but has varied depending on the wishes of the Secretary and the particular areas of expertise each Counselor has offered.

I believe my twenty-four years of service in the House of Representatives, which included membership on the House Foreign Affairs Committee, will be valuable to me in carrying out the responsibilities the Secretary assigns me as Counselor. I had the honor to serve as member of the United States delegation to the United Nations General Assembly session in 1971, and I was a member of the U.S. Congressional delegation to the Interparliamentary Union meetings since 1959, serving as the Chairman of our delegation in 1971-72 and 1979-80.

Secretary Shultz has discussed with me the general areas of responsibility which I believe would allow me to contribute the most to our foreign policy objectives. I will outline them briefly.

My long experience in dealing with the security, political, economic and human rights issues involved in our relationships with the Soviet Union, Eastern European nations, and our NATO allies should be helpful to the Department. We need constant and effective consultations with our NATO allies to ensure continued coordination of economic, political and military viewpoints. East-West trade has strategic, human rights as well as special Congressional considerations which have long been of special concern to me.

For many years I have maintained contacts with officials in European countries as well as the many ethnic groups of European origin in the United States. I hope to serve the Secretary on missions to enhance our communication with European parliamentary, business and religious leaders.

I look forward to contributing to the long-term effort to build public and Congressional understanding for Administration foreign policy. I hope that as an alumnus of the House of Representatives, I can help my colleagues in the State Department strengthen communication with Congress, as well as private organizations and church representatives. I also expect to have an extensive schedule of public speaking engagements, both foreign and domestic.

Other issues in which I might be involved are the Caribbean Basin Initiative and Radio Marti; relations with our good neighbors, Mexico and Canada; our relationships with the Third World over the next decade; and continuing the chairmanship of the interagency group on the transition to our new relationship of free association with Micronesia.

With my years in the Congress, long service on the Foreign Affairs Commmittee, the more than fifty international conferences I have attended, and the special interest I have given to foreign affairs over the years, I hope to make a positive contribution to the development of foreign policy.

The Chairman: Thank you, very much.

I just have a couple of questions. I might have some more to make the record more complete.

The Counselor has been traditionally a kind of free-floating assistant to the Secretary of State. Is that how you view your role as Counselor, or would you have a more defined pattern of activities and definite responsibilities?

In your discussions with the Secretary of State, has he outlined some of the areas he would like you to concentrate on, and have you indicated to him some of the areas you feel would be most interesting from your standpoint and most productive for the State Department?

Mr. Derwinski: I believe the Secretary will maintain the flexible use of the Counselor that has been the pattern. He has indicated to me that he is aware of my long years of participation in Interparliamentary Union meetings, therefore the contacts I have at various levels of government that would be helpful and, here again, emphasis would be on our NATO allies and the countries of Eastern Europe.

There is also, as you know, a necessity for emphasizing the U.S. position in the arms control negotiations. I expect to be utilized in that capacity and then advise somewhat informally and work with Senator Stone on his temporary assignments, so I expect that as developments occur and as the Secretary feels some special interest he requires from

the Department, that I would be given those assignments as they develop.

The Chairman: Very good.

You mentioned the Interparliamentary Union. You have been such an active participant, particularly with our European department at the meetings. I would like you, if you could, to focus your attention on one area that is now of tremendous importance, which is Mexico. We have, this year, the 23rd Interparliamentary U.S.-Mexican departmental meeting. We have a meeting in Mexico. The President of Mexico, I understand, will be meeting with us, and we would appreciate a close working relationship with the Department of State on that in preparing for that meeting.

Due to the pressures of my schedule in Illinois, I may forego being Chairman this year and pass it on to someone else.

In going over the agenda items with the delegation that came from Mexico, the main importance of those measures is so important to the future relationships between our two countries, peace in the hemisphere and so forth that we ought to pay very high-level attention to that, and I hope you will encourage high-level participation by some of your colleagues in the Senate and the House.

Mr. Derwinski: I would hope so.

Frankly, Mr. Chairman, in recent years, the combination

of unusually heavy Hill schedules and election concerns has limited some of our delegations. I think the interparliamentary exchanges are tremendously valuable and especially in view of the fact that the Congress is, along with the British Parliament, respected as truly the finest of legislative bodies and we automatically provide leadership when we participate in these exchanges.

I understand your schedule back in Illinois, but if you could take the time to participate in the Mexican-U.S. interparliamentary conference, it would be helpful.

I served, by the way, on our delegation to the first eight of those conferences. During that period, Senator Mansfield and Senator Hayden, the traditional co-chairmen and the other House members was always an effective group.

The Chairman: Thank you very much.

We have several of our colleagues back. Senator Pell, if you would care to start off?

Senator Pell: Thank you, Mr. Chairman.

I have known and respected Congressman Derwinski now for more than 20 years. He and I often disagree, but I have learned that as life goes on, you often like the people with whom you disagree and sometimes dislike the people with whom you agree, and Mr. Derwinski is one of those I have always liked.

There is one point that I think should be fleshed out and

we discussed it yesterday in an executive session and, as you know, there was an article from the New Republic which stated that Mr. Derwinski reportedly passed knowledge on to a South Korean Embassy official, et cetera, et cetera, about a possible defector.

I think it was an error in judgment that does not more or less preclude his being confirmed for this job, but I think, in fairness to him, in this open session he should say just what he did to us yesterday in that meeting.

Mr. Derwinski: I think I would like to point out to you first that hindsight is always better than foresight and obviously, looking back at that period, it was quite traumatic in the sense of press attention. If I had used better judgment I would have had a little easier time over the years in the sense of controversy.

That, ironically, is about the only controversy I had ever run into in my entire public career. The only other time I ran into sort of negative, if I may use that term, negative press coverage, was when I was Senator Goldwater's campaign manager in Illinois. That was before conservatism was popular so it was not, perhaps, the best political atmosphere.

As I told you, there was an ongoing investigation which I had opposed from the beginning. I felt that we were endangering U.S.-Korean relations at a time of the discussion

of top troop withdrawals. And in a preview, without giving matters any serious thought, after having been notified by the staff that there was in effect a defection procedure, I just casually related that to one of the officials at the South Korean Embassy.

I still do not know, since I have never seen all of the reports, exactly what this did to contribute to any complications. The individual turned out to be not very valuable in the sense of giving the committee any information and the whole issue passed away and never was subject to any legal or ethical complications as a result.

Senator Pell: In connection with that, did you know the name of the person who was scheduled to defect or did you just know that it was an official?

Mr. Derwinski: I did not ask who the person was. I never, at that time, knew his name nor what his duties were, or where, exactly where he was stationed or anything of that nature. I just objected to what I considered -- again, you have to keep in mind the atmosphere at the time -- I considered this sort of a grandstand development at the committee level, of which I did not approve.

Senator Pell: As a matter of judgment, it was agreed that it was poor judgment, but I think everyone is forgiven occasional poor judgment. In more than twenty years, you have done much better than some of us.

Mr. Derwinski: I think that I wish, in looking back, that this is one of those little things that probably has caused me more irritation over the years than anything, because obviously that was a case of poor judgment. At the time, as I look back, it did not seem to be something which I really gave any more thought to. I just really did not think it would have any complications.

Senator Pell: Before the man actually defected, did you communicate with the Korean government once or more than once about that employee?

Mr. Derwinski: Once, one conversation.

Senator Pell: You do not recall a second conversation?

Mr. Derwinski: It was in conjunction with a call on another subject, and in the process, I just injected this comment.

Senator Pell: My question is, did you do it more than once?

Mr. Derwinski: Once, because shortly after that I left to attend a parliamentary meeting in Sofia. When I returned, about ten days later, the whole process had taken place.

Senator Pell: At that point, as I understand it, you were puzzled too because the South Koreans theoretically were our allies, and here was someone defecting from an ally.

Mr. Derwinski: Well, there was also the ongoing problem as you recall at the time, there was the implication that the

South Korean government was somehow involved in the antics of a terrorist called Kim Soong Souk. The whole relationship with South Korea was suffering as a result. At that time, there was pressure to withdraw troops from Korea which, as I recall, at the White House meeting I attended, the concept was vigorously criticized by Senator Humphrey. U.S.-Korean relations were really at the lowest ebb in our history at that point.

Senator Pell: I thank you.

I thought the subject should be raised and I appreciate the frankness of your reply.

The Chairman: Thank you, Mr. Pell.

As I understand it from you yesterday, and hearing Congressman Derwinski discuss the situation, it seemed to me -- and I want to be corrected if I am wrong -- the tone and the tenor of what you were saying to the Korean official, was that you might be in for a rough time.

Was it that you felt that the subcommittee and the staff might be giving you a hard time?

Mr. Derwinski: Yes, the next head-ache the subcommittee will cause you is this particular problem.

The Chairman: I just thought as you mentioned last night, just in the last two weeks, we have close allies in Canada who could be closer. I felt obligated to call the Ambassador and ask him to come in and see me, and say that I

think we are in for some rough times on their natural gas prices. We are going to criticize those high prices they are charging, gas prices that are way above market, but I felt a courtesy to tell him.

With Algerians, we are paying three times those prices. I called the Algerian Ambassador, talked with him and said we were going to have some problems here.

Is that what you had in mind in putting on notice an ally with whom we had fought, who is fighting for freedom, and I have attended the inauguration of President Chun, as a representative of the President, to express our friendship for Korea.

Is that the way I interpreted, anyway, your intention to at least advise him that you may be in for a rough period?

Mr. Derwinski: That is correct. I think the point you made to Senator Pell, if you recall at the time that anything that happened in Korea was immediately sensationalized. It was an era and an atmosphere that made everything difficult.

The Chairman: Thank you very much.

Senator Murkowski?

Senator Murkowski: Thank you, Mr. Chairman.

Mr. Derwinski, in reading over the article in question, in the New Republic, February 21, 1983, there is a quote, and I quote, "The investigation was a waste of the taxpayer's money, he says." And this is attributed to you.

Mr. Derwinski: That is right.

Senator Murkowski: That is, in fact, a direct quote?

Mr. Derwinski: Yes, because at that time -- I do not recall the exact figures, but the committee requested of the full House committee additional funding well over $500,000, and I think 15 additional staffers for the subcommittee of which I was ranking member.

I just objected to what I thought was the unnecessary expenditure of funds, that it was part of the ongoing debate which is about a four-year period that this special activity covered.

Senator Murkowski: Without the expenditure of these funds, is it your opinion likely that the 24 Congressmen who were eventually implicated in bribe-taking to an amount of approximately $850,000, would that occur without the expenditure of those funds?

Mr. Derwinski: Yes, this had nothing to do with that. That was an investigation by the Justice Department.

What we were focusing on was U.S.-Korean relations and the alleged activities of the Korean Embassy. It had nothing to do with anything involving members of Congress. It was handled in the Ethics Committee of either the House and the Senate or by the Justice Department. This did not touch it.

Senator Murkowski: In the quote, the investigation was taken out of context. You were talking about the

investigation by your committee as opposed to what was already occurring and would have occurred under that process.

Mr. Derwinski: Our committee had normal jurisdiction. I did not think we needed any extra funds at that time.

Senator Murkowski: So you think your quote was taken out of context?

Mr. Derwinski: No, I do not think it was so much taken out of context. It just relates to a totally different subject.

Senator Murkowski: If I were just reading the article, Mr. Derwinski, I would have a bit of a conflict with your quote, "The investigation was a waste of taxpayers' money," and the opening of the article, which indicates $850,000 went to pay off 24 Congressmen.

Mr. Derwinski: Again, the investigation that we were referring to was a special staff investment by the House Subcommittee and it did not relate to any charges involving individual House or Senate members and their relationship with any Koreans at the time.

Senator Murkowski: With your permission, Mr. Chairman, there is reference in the third paragraph of the statement of March of 1977. Mr. Derwinski tried to block funds for the stepped-up investigations of the Korean pay-offs of Kim.

Mr. Derwinski: There again, that is not what we concentrated on. We did no such -- what we looked into were

the Moonies. We looked into the alleged KCIA activities in the United States. There were other individual tangents to the committee's investigation, but members themselves, members of the House or Senate, were not the subject of committee investigation.

Senator Murkowski: The last question, or observation, concerns reference in the article, "informed Mr. Derwinski that FBI agents meet KCIA operatives in some suburban New York home for a half hour and the defector was whisked to safety."

Mr. Derwinski: I think that was a slightly over-dramatized version. There were all sorts of activity. I was probably the last member of the staff and members itself to be advised, and I am quite sure that subsequent information revealed that the Koreans seemed well-aware that this man did not intend to return.

The issue that I became involved in was whether or not the committee should get into -- call it the business or the performance of playing with the defector. I felt that this was an effort by the committee to over-dramatize their investigation of the Korean government role.

Senator Murkowski: Did you feel that the defector was in any danger had the FBI not picked him up and whisked him to safety?

Mr. Derwinski: It never crossed my mind. In fact, I was

not aware whether, at the time I received the phone call whether or not the defection -- I used the word "defection" -- had actually taken place.

I am not sure in the classical sense that this was a defection. It was a friendly country. His status, I am sure, was adjusted routinely. And I am not aware of any time sequence.

Senator Murkowski: Whatever happened to the defector? Did he seek asylum in this country?

Mr. Derwinski: I do not have any recollection. He did appear before the committee about three or four months later. He had very little to offer that we had not already received and it was sort of an anti-climax at that point.

I have no idea what became of him. I assume he is here in the United States, but I honestly do not know.

Senator Murkowski: When you made this communication and indicated reference to this person defecting, your intention was -- what motivated that particularly?

Mr. Derwinski: By coincidence, I received a visit from a South Korean diplomat just after I had this conversation on this committee business. I had made arrangements to meet the South Koreans in Sofia, Bulgaria. We were attending a conference. They had no facility there, no embassy, and I was working with their embassy to arrange for liaison and services that we would render to them in the absence of their

having such options.

In the process of that conversation, I just casually made this observation, as I reported to the Chairman.

Senator Murkowski: But I am curious to know why you were suddenly disposed to make that kind of communication indicating that you had heard that someone has defected.

Is that not kind of extraordinary?

Mr. Derwinski: It was in itself just a coincidence that I was having a conversation on another subject. This matter had developed hours before, and I just casually made the observation, the next problem you will have with our committee is a witness, one of your former officials, something to that effect. I really did not give it any thought other than in the context of the ongoing stress and strain that I felt the committee was causing U.S.-Korean relations.

Senator Murkowski: This was something you did not really reflect upon? It came up in the course of a conversation and you passed it on, and that was the end of it?

Mr. Derwinski: I really did not give it any thought at all. It was something inadvertent. Obviously, it was not something --

Senator Murkowski: How was it called to your attention the next time around?

Mr. Derwinski: Well, there was really no next time

around. I came back from my trip a month or two later. This became a subject of continued controversy within the committee and ultimately, as I say, when the man finally testified, the matter was no longer -- his safety, or anything like it was no longer at issue.

What was at issue was the information he provided, which was minimal, at best.

Senator Murkowski: I am curious. How was it brought back to your attention? You said you passed it on. You said you had only one communication concerning the subject?

Mr. Derwinski: Right.

Senator Murkowski: You passed it on. You did not think anything about it.

When [redacted] was it called to your attention that you had passed it on, and you had an opportunity to reflect on it, under what circumstances?

Mr. Derwinski: Well, eventually it became a matter of some press coverage. It became one of the controversies of the so-called Koreagate period.

Senator Murkowski: Did it come out of the FBI, KCIA, as a result of picking up the defector?

Mr. Derwinski: I had never seen any kind of evidence. I have not been privy to the position taken in the FBI report. I do not know what the FBI report said. I never had the opportunity to examine it.

Senator Murkowski: I assume if the same set of circumstances were before you today, you would act differently, thinking about it?

Mr. Derwinski: Hindsight is better than foresight.

Senator Murkowski: I have no further questions, Mr. Chairman.

The Chairman. Thank you very much indeed.

Mr. Sarbanes, do you have any questions?

Senator Sarbanes: Mr. Chairman, I think this subject has been covered fairly well by my colleagues. I tend to share Senator Pell's view that there was an error in judgment here, and I think Congressman Derwinski has, in fact, indicated this, being able to look back on it.

It seems to me that certainly on this particular occasion, it needs to be put into the context of a career of public service. As you said, he has 24 years in the House, and his other activities.

We served together for three terms. I must say again, as Senator Pell said, we did not always agree on the issues, occasionally we did, but I respected him throughout and it seems to me that he has reflected the kinds of qualities that can be of help to the administration at this time. I think it is important that this line of questioning has been asked here this morning and I'm glad that Congressman Derwinski had the opportunity to respond to them.

The Chairman: Thank you, Senator Sarbanes. I very much appreciate it.

Senator Helms?

Senator Helms: Mr. Chairman, I won't take very much time. All of us have made decisions which have caused many complications at times.. Whether everybody always agrees is irrelevant. What really counts is the dedication and the willingness to go beyond the call of duty to serve the people. Ed Derwinski has done it over and over again for a number years. I consider him to be an excellent nomination. I believe he will serve the people very well.

The Chairman: Thank you very much, Senator Helm

Senator Pell: There is one other point that I think should be on the record.

How did you first ascertain that there would be a defection? How did you hear it?

Mr. Derwinski: I had a call from a committee staff member.

Senator Pell: From a committee staff member.

Mr. Derwinski: That is right.

Senator Pell: Thank you.

The Chairman: I'd like to just ask a few questions of you. One particular point which has been a point of irritation in the past for this committee and the presidency is one regarding the degree of consultation. I can well

remember the day that we were called over to the White House to be told by the president, told by the president, that he intended to recognize the People's Republic of China.

I can remember the roof of the White House almost going off, and Senator Glenn saying, is this consultation? You are going on national television in just an hour or so to tell the country and now we are being told.

In contrast with that there were serious reservations and objections by this committee on the advice and consent functions of the Senate. There were corrections in various administrations and there has been tremendous progress in the Reagan administration on consultation.

We have thorough consultations on many crucial issues in the Middle East. Secretary Shultz came over and listened for three hours, took notes, wanted to hear from every single member. On El Salvador, we've had several meetings with the President, one this week, one last week, so he could hear the views of everyone in the leadership and certainly on both committees, in the House and in the Senate, before a decision had been reached and that decision will be anounced at 12:00 o'clock today.

I wonder if you could describe for us any thoughts that you may have on using the Counselor's Office to help coordinate the making of foreign policy among the Department, the Foreign Service and especially the Congress?

Mr. Derwinski: As you know, Senator, having served in the House, I have had the same frustration over twenty-four years. In fact I have served under seven presidents. All of the administrations emphasized that they will consult, and then the degree to which they do or do not becomes a matter of controversy. I think at the present time, there is a special effort toward recognizing the legislative complications on the Hill, budgetary as well as policy. I believe that Secretary Shultz will make it a point, at least as far as he is concerned, to see that there is maximum consultation.

To the degree that I have many old friends on the Hill, I expect to be utilized in part of that capacity, but I think I also should make it clear that I am not a new legislative liaison officer for the Department of State. They have a very capable office to handle that specific chore. I do however expect some specific items to be assigned by the Secretary to communicate with members of Congress.

The Chairman: Have you, because you have served so long in the House -- there is obviously a separate responsibility placed upon the Senate in the Constitution. Just as the House has unusual powers with respect to money bills -- they certainly originate there -- we have unusual responsibility with respect to foreign policy, advise and consent alone on nominations and treaties. There is a special responsibility

in the Senate and a two-thirds vote is required as we discovered on the Montreal Treaties. They just didn't vote go and they didn't go.

Have you gone over the testimony given by Jack McCloy during the course of the SALT II Treaties, when he came and testified on treaty powers of the Senate?

Mr. Derwinski. I recall the general point made at the time, and I especially, on a personal basis, very closely monitored the Senate committee deliberation and the floor debate on the Panama Canal Treaty. That was probably the most dramatic such episode in recent years, and I thought it was a excellent example of proper Senate attention and responsibility under the advise and consent provision.

The Chairman. I would strongly recommend that you reread Jack McCloy's analysis. He is an international lawyer and it is one of the best pieces I have ever seen on the history of the treaty-making powers of the Senate.

Would you, for instance, take an active role in connection with the Montreal Treaty? This committee overwhelmingly supported those treaties. Senator Kassebaum took the leadership in this area, in conducting the hearings and in the floor management. And yet, we lost those treaties. We have a vote of reconsideration. I know the Secretary very much wants to see those treaties ratified. The President does. Will you be active in that capacity and

with leadership in the Senate on that matter?

Mr. Derwinski: Mr. Chairman, the easiest thing in the world is to be a Monday morning quarterback. It's obvious that a setback like that, that a little more groundwork had to be done and will have to be done if the vote is to be adjusted and if the Secretary assigns me part of that responsibility, it will be an interesting first test of my ability to produce.

The Chairman: I am glad you put it that way. That puts it right to you.

I have indicated to the Department of State that the Secretary will need support on this because they are complex treaties, and yet they are treaties that have been worked out and been on our calendar for a long time and the Senate calendar for a long time, a tremendous disappointment to a great many nations, and yet the trial lawyers for whom I have respect have a vested interest in this. They have shared up to thirty and forty percent of the proceeds.

As I look at the cases that have been decided over a period of many, many years, only a handful of cases will ever exceed the upper limits of amounts of $320,000, and when they did, there was a thirty or forty percent sharing of those fees with the trial lawyers who handled the cases.

So, I would say, it takes a noble profession to say you don't need our services. We must recognize that this is the

Senate Foreign Relations Committee, the presidency, the Secretary of State, pitting itself against the trial lawyers, and they have a very strong vested interest. I don't know how many colleagues said to me, "We just didn't realize -- all those trial lawyers in our state, we didn't realize that this was that important."

Well, we are all busy here. We tried in every way we could. We didn't talk to everyone individually about it, and I think we should have. But, we still have that vote coming up and I think some help from the Department would be very much appreciated.

Finally, what do you visualize as the proper role of Congress in shaping and implementing our foreign policy?

Mr. Derwinski: The Congress very properly should direct itself to foreign policy, especially the Senate. Certainly, the House has certain jurisdictions in money matters. The Senate has much more to add on foreign policy.

I do think though that, to be very frank with you, from my own personal background, I have always thought that politics stops at the water's edge in the conduct of foreign affairs, and I think there is always a thin line between aggressively pursuing one's views and then possibly impeding the proper conduct of foreign policy.

The example I always use, is that after the Senate's tremendous debate, finally ratifying the Panama Canal Treaty,

I had to carry the Bill on the floor of the House to implement the treaties. I had been critical of the treaties, but I felt the Senate had acted and it was absolutely necessary for us to then live up to the obligations. Politics had to be secondary.

We have had a number of areas in the world where bipartisanship just has to be emphasized. Again, in the Middle East negotiations, Central American developments, negotiations with the U.S.S.R., that is where consultation input with ultimately some degree of bipartisanship is necessary.

The Chairman: I said that was the last question, but one other question that I think would be uniquely qualified to help us on.

Many recent presidents have considered, on occasion the Department of State and the Foreign Service to be somewhat inefficient, and possibly even, in some cases, not an instrument for managing U.S. foreign policy. They have turned to the National Security Council and personal representatives to achieve their foreign policy goals.

Clearly, the Department of State, the Secretary of State, is the principal advisor to the president in foreign policy, and along with him, his principal spokesman. How do you perceive the Department and the Foreign Service in terms of their relative usefulness in carrying out the President's

policy, and would it be a part of you reponsibility to discern their needs and the role of the Department of State in the decision making process in foreign policy?

Mr. Derwinski: In the brief period that I have had to do some work with the Foreign service officers, I have been impressed by their talent, their ability. They are excellent career diplomats, young, experienced FSOs.

The point you make is an interesting one. I think at this time, given the strength that Secretary Shultz has and his broad acceptance, that you do have a time where the State Department is in fact properly the lead unit in the conduct of foreign policy. I think we look back at recent history, when you have a National Security Council headed by someone, obviously, to use a polite word, as charismatic as Henry Kissinger or Zbig Brzezinski, and at the same time you have the Secretary of State tending to be very low key. Then the National Security Council seemed to get more attention, possibly get more input. And of course it all depends on how the President uses each body, but I would say at the moment we have a very fine relationship.

Secretary Shultz is clearly in command of foreign policy. His relations with Judge Clark are excellent, coordination is excellent, relations with the President are excellent. The Secretary, by and large, still has a honeymoon on the Hill, and that means good communications. I

think at the moment the historic complication you refer to is not occurring.

THe Chairman: I would just like to say, in thirty years, it has been thirty years since I was asked to take my first foreign assignment, by the Secretary of State and the President, in the Eisenhower Administration, to Italy for seven weeks on a special assignment, to Latin America for special assignment, as special ambassador. In those thirty years, I have never seen a strong top team more coordinated, working closer with the White House and working closer with the Department of Defense and the National Security Council.

I think that Secretary Shultz himself and Ken Daniels, his Deputy, will go down as an absolutely remarkable and great Secretary of State and Undersecretary. We have, I think, a very strong team. It does not mean we always agree, or do not always agree, on policy or its implementation, but we have confidence in the men and women in our leadership positions and we appreciate that very much and we think you will add considerable strength to that. Probably the most intuitive, best understanding in both the Senate and the House. We are depending on you to take that to the State Department and I think it will add to the foundation that we have built in cooperation and partnership in the development of foreign policy.

If there are no further questions, we will put on the

agenda, on Tuesday, the Derwinski nomination. I believe, there are no negative reports on it that I know of, so we will send it immediately to the floor and hopefully have it confirmed the next week.

Thank you.

[Whereupon, at 11:55 a.m., the committee adjourned, subject to the call of the Chair.]

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
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United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

January 4, 1989

Honorable George Bush
Vice President
Old Executive Office Building
Washington, D.C. 20501

Dear Mr. Vice President,

I am writing with respect to your intention, which you announced on December 22, 1988, to nominate, upon your inauguration as President, former Representative Edward J. Derwinski as the first Secretary of Veterans Affairs. I have known Ed for many years and just today had a nice meeting with him to discuss the forthcoming nomination.

At that meeting, I discussed with him an editorial, entitled "Nazis, dictators and Derwinski", which appeared in the Oakland Tribune on December 28, 1988 (a copy is enclosed for your reference). As you can see, the editorial raises serious charges about his "record of service in an organization riddled with former Nazi collaborators" and "his alleged role in passing U.S. secrets to the South Korean CIA in the late 1970s".

In fairness to all parties involved, I believe that these charges must be covered by the FBI in its customary background investigation and ask that you direct that that be done. I further ask that I have the opportunity to review the report of the FBI's full investigation prior to our Committee hearing to consider the nomination, which I have tentatively set for late January or early February.

Thank you for your attention to this request. If your staff has any questions regarding this matter, contact should be made with Jonathan Steinberg, Chief Counsel and Staff Director of the Committee (224-6202).

With warm regards,

Cordially,

Alan Cranston
Chairman

Enclosure

cc: Honorable William Sessions
Honorable Frank H. Murkowski
Mr. Chase Untermeyer

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
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United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

January 17, 1989

Honorable Julian C. Dixon
Chairman
Committee on Standards of Official Conduct
House of Representatives, HT2 Capitol
Washington, D.C. 20515

Dear Julian,

As you know, on December 22, President-elect Bush announced his intention to nominate former Representative Edward J. Derwinski as the first Secretary of Veterans Affairs.

On January 4, I met with him to discuss the forthcoming nomination and, during that meeting, discussed with him an editorial, entitled "Nazis, dictators and Derwinski", which appeared in the Oakland Tribune on December 28, 1988 (a copy is enclosed for your reference). As you can see, the editorial raises serious charges about, among other things, "his alleged role in passing U.S. secrets to the South Korean CIA in the late 1970s". Also enclosed are copies of two Los Angeles Times articles (January 12 and 14, 1989) bearing on this matter. As is accurately reported in these news accounts, in his 1983 confirmation hearing (as Counselor of the State Department) before the Senate Foreign Relations Committee, Representative Derwinski admitted to the Committee that he had, indeed, advised the Korean Embassy about the forthcoming defection of a KCIA agent who would be testifying before a House investigatory panel.

In our meeting, Representative Derwinski indicated that the matter of this leak had been investigated by the House Committee on Standards of Official Conduct in 1978 and that, following that investigation, he had been given a "clean bill of health". I am aware that the Committee issued a press release (copy also enclosed) on October 14, 1978, which concluded with the statement that, according to then-Chairman John Flynt:

> the Committee voted unanimously to take no further action [on matters relating to the disclosure of certain secret House Committee information to a foreign government] after the subcommittee [consisting of Representatives Hamilton, Preyer, Quillen, and Cochran] determined that there was insufficient evidence to sustain a Statement of Alleged Violation against any one of fifteen or more possible suspects.

I am writing to request that you provide to me, as Chairman of the Senate Veterans' Affairs Committee, as much material as you can which your Committee has bearing on that investigation as it relates to Representative Derwinski. This material would be for use in connection with our consideration of his forthcoming nomination. Of particular interest to us would be the testimony or other information furnished to your Committee by Representative Derwinski. We would, of course, be agreeable to abiding by any restrictions that you should attach to any information provided.

With warm regards,

Cordially,

Alan Cranston
Chairman

Enclosures

cc: Honorable Frank H. Murkowski
Honorable Lee H. Hamilton
Honorable John T. Myers
Honorable Edward J. Derwinski

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HANK BROWN, COLORADO
RALPH L. LOTKIN, CHIEF COUNSEL

U.S. House of Representatives

Committee on Standards of Official Conduct
Suite HT-2, U.S. Capitol
Washington, DC 20515

January 24, 1989

The Honorable Alan Cranston
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510-6375

Dear Mr. Chairman:

This responds to your letter of January 17, 1989, requesting information from the House Committee on Standards of Official Conduct in connection with your Committee's consideration of the forthcoming nomination of former Representative Edward J. Derwinski to be Secretary of Veterans Affairs. Attached to your letter are recent newspaper articles indicating that Representative Derwinski was involved in passing sensitive information to the Korean Embassy in the late 1970s, a matter which he reportedly admitted in 1983 during a Senate confirmation hearing. Because Representative Derwinski has indicated to you that this Committee investigated the matter and had been given a "clean bill of health," you have requested that this Committee provide to you "as much material as you can which your Committee has bearing on that investigation as it relates to Representative Derwinski." In particular, you are interested in "testimony or other information furnished to [this] Committee by Representative Derwinski."

Based upon our review of Committee records, no report or testimony was either prepared or issued by this Committee in 1978, or any other time, regarding Representative Derwinski. However, the Committee's records include classified (SECRET) correspondence dated January 24, 1978, from Attorney General Griffin B. Bell to House Speaker Thomas P. O'Neill concerning the apparent unauthorized disclosure of certain information to the Korean Embassy. On that date, Speaker O'Neill transmitted the Attorney General's letter to this Committee. Should your Committee wish to review the Attorney General's classified letter, the Department of Justice should be contacted to arrange such access.

Finally, as your letter correctly indicates, on October 14, 1978, the Committee did issue a press release relating to a matter "referred to the Speaker of the House by the Attorney General, involving unauthorized disclosure of certain secret House Committee information to a foreign government." The release does not, however, name any specific individual who was the subject of the Committee's inquiry, but refers only to "fifteen or more possible suspects."

We hope the foregoing will be of assistance to you. If you have any further questions, please contact Ralph L. Lotkin, the Committee's Chief Counsel, at 225-7103.

Sincerely,

Julian C. Dixon
Chairman

John T. Myers
Ranking Minority Member

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
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United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

January 27, 1989

Honorable Dick Thornburgh
Attorney General of the United States
Department of Justice
Washington, D.C. 20530

Dear Dick,

Enclosed is a January 24, 1989, letter to me from Representatives Julian Dixon and John Myers, the Chairman and Ranking Minority Member, respectively, of the House Committee on Standards of Official Conduct, which responds to my inquiry about any information that might be in that Committee's files from the Committee's investigation in 1978 into, among other matters, a leak of sensitive information to the Korean Embassy. My inquiry was made in light of this Committee's current consideration of the President's nomination of former Representative Edward Derwinski to be the first Secretary of Veterans Affairs.

As you can see, Representatives Dixon and Myers indicate that the only material in the Committee's files that might be relevant is "classified (SECRET) correspondence dated January 24, 1978, from Attorney General Griffin B. Bell to House Speaker Thomas P. O'Neill . . ." and that "[s]hould your Committee wish to review . . . [that] letter, the Department of Justice should be contacted to arrange such access." Based on a variety of sources of information available, I believe this document is relevant to our consideration of the Derwinski nomination and therefore hereby request, as Chairman of the Committee, that you take appropriate steps to provide this correspondence to me and appropriately cleared Committee staff.

Thank you for your anticipated cooperation. I look forward to your reply at your earliest convenience in light of our Committee's hearing on the Derwinski nomination which is scheduled for February 6.

With warm regards,

Cordially,

Alan Cranston
Chairman

Enclosure

cc: Honorable Frank H. Murkowski

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
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United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 2, 1989

Honorable Edward J. Derwinski
Office of the Administrator of Veterans' Affairs
810 Vermont Avenue, NW
Washington, D.C. 20420

Dear Ed,

I am writing in connection with your January 30 responses to the pre-hearing questions I submitted in connection with the upcoming hearing on your nomination to be Secretary of Veterans Affairs.

In the cases of various questions dealing with the FY 1989 and FY 1990 budgets (questions 4A, 17B and C(1), 20, 22, 24, 25B and D, 26, 27, 29, 30, 32, and 33), you declined to provide detailed answers, in some cases specifically noting that you needed more time to give the subjects thorough consideration. I can certainly appreciate your reasoning, and I consider your approach to be entirely appropriate at this time. In this connection, I wish to note that I have scheduled a February 23 hearing on the budget for veterans programs. Assuming your confirmation, I request that you attend as the Administration's lead witness with respect to Department of Veterans Affairs issues and would appreciate your taking the opportunity to respond to these and other questions regarding the budget at that time. Will you plan to do so?

In the cases of certain other questions relating to your views and plans as Secretary-Designate (questions 3, 4B, 5A, 14, 15, 16, 19, and 28B), you again, quite understandably, declined to provide detailed answers or specifically indicated that you would be looking into the issues involved at a later time. I would like to have your views on these matters, to the extent you are able to form them over the next several weeks, prior to the official establishment of the Department on March 15. Would you please provide me with your then-current responses to these questions on March 10?

At the confirmation hearing, I will, of course, be asking follow-up questions to some of the questions I submitted on January 18.

98-337 0 - 89 - 6

I look forward to receiving your response to this letter and to seeing you at the confirmation hearing. Thank you for your cooperation.

With warm regards.

Cordially,

Alan Cranston
Chairman

cc: Honorable Frank H. Murkowski

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

February 3, 1989

Honorable Alan Cranston
Chairman, Committee on
Veterans Affairs
United States Senate
Washington, D.C. 20510

Dear Alan:

I am in receipt of your letter of February 2 and am pleased that you understand and appreciate my position with regard to the pre-hearing questions.

As concerns your desire for more detailed responses to certain of those questions, let me assure you that, as I prepare to appear before your Committee on February 23, I will more closely examine many of the areas covered by your pre-hearing questions. To the extent possible, I will be prepared to expand upon my answers at that hearing.

With respect to those questions relating to my views and plans as Secretary-Designate, I intend, upon confirmation, to be fully involved in the process of establishing and organizing the Department of Veterans Affairs. I expect that the process of organization will extend well beyond the March 15 effective date provided in the legislation, with much of the actual implementation occurring during the six-month period immediately following March 15. Let me assure you that I intend to fully inform you and members of your Committee, Chairman Montgomery and the members of his Committee, the veterans service organizations, and the President and his staff of the progress being made in completing the organization.

I look forward to appearing before your Committee on February 23 and to working closely with you in addressing the needs of our Nation's veterans.

Sincerely yours,

EDWARD J. DERWINSKI
Secretary-Designate

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United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 6, 1989

Honorable Richard L. Thornburgh
Attorney General of the United States
Department of Justice
10th Street and Constitution Avenue, N.W.
Washington, D.C. 20530

Dear Mr. Attorney General,

We are writing on behalf of the Committee on Veterans' Affairs of the United States Senate to request your cooperation in a matter of great consequence to our work. This Committee is currently considering the President's nomination of Edward J. Derwinski to be Administrator of Veterans' Affairs/Secretary of Veterans Affairs. In connection with our consideration of that nomination and our review of Mr. Derwinski's FBI background investigation, we have determined that it is essential that our Committee have access to notes, minutes, and any reports or other materials arising out of a Federal Grand Jury investigation in the Fall of 1977 into an unauthorized disclosure of information to the South Korean Government about a forthcoming defection of a South Korean CIA agent. We are planning to seek access to such material through a judicial proceeding and are writing to ask if the Department of Justice would have any objection to the Committee acquiring such access.

This matter has been discussed extensively with the White House Counsel, and we have indicated our strong belief that our access to these Grand Jury records is necessary to the Senate's full and fair consideration, in carrying out its Constitutional advice and consent responsibilities, of the President's nomination of Mr. Derwinski and, hence, required in the national interest. We would, of course, be agreeable to abiding by any restrictions that the court might attach to our access to such information.

We greatly hope that you will be able to assist the United States Senate in this exercise of its Constitutional responsibilities.

Sincerely,

Alan Cranston
Chairman

Frank H. Murkowski
Ranking Minority Member

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
SPARK M. MATSUNAGA, HAWAII
DENNIS DECONCINI, ARIZONA
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STROM THURMOND, SOUTH CAROLINA
ROBERT T. STAFFORD, VERMONT
ARLEN SPECTER, PENNSYLVANIA
JONATHAN R. STEINBERG, CHIEF COUNSEL/STAFF DIRECTOR
ALAN C. PTAK, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 6, 1989

Honorable Julian C. Dixon
Chairman
Honorable John T. Myers
Ranking Minority Member
Committee on Standards of Official Conduct
House of Representatives, HT2 Capitol
Washington, D.C. 20515

Dear Julian and John,

We are writing to follow up on your January 24 letter regarding our Committee's request of January 17 for information developed in the course of your Committee's 1978 investigation into an unauthorized disclosure of information to the South Korean Government about a forthcoming defection of a South Korean CIA agent.

As a result of our review of the FBI background investigation of Mr. Derwinski and other information, we believe it is imperative that our Committee have access to any information you control pertaining to this investigation as it might relate to Mr. Derwinski. This includes the January 24, 1978, letter from Attorney General Griffin B. Bell to Speaker Thomas P. O'Neill, referred to in your January 24, 1989, letter. We have undertaken to obtain this letter from the Justice Department and that effort may or may not be successful. However, we believe that it is essential to Senate consideration of this nomination in the exercise of its Constitutional advice and consent responsibilities that our Committee be given access to this letter as scon as possible and do not believe such access should depend upon the approval of the Executive Branch.

Hence, we request that you provide to the Senate, in order to enable it to carry out its Constitutional responsibilities, access to the Bell letter and all other materials in your Committee's possession or control pertaining to this 1978 investigation. We are specifically requesting that access be provided to Jonathan R. Steinberg, Chief Counsel/Staff Director; William E. Brew, Deputy General Counsel; and Alan Ptak, Minority Chief Counsel/Staff Director. These three individuals have the primary responsibility for advising the Committee with respect to the Derwinski nomination and, as such, have a need to know all information in connection with it. Also, as is indicated, in the enclosed letter of this date from

Mr. Michael Di Silvestro, Director of the Office of Senate Security, each of these Committee staff members holds a Top Secret clearance. As noted earlier, we would, of course, be agreeable to abiding by any restrictions that you should attach to our Committee's access to such information, including review of it in your Committee offices under your supervision.

With warm regards,

Cordially,

Alan Cranston
Chairman

Frank H. Murkowski
Banking Minority Member

Enclosure

TER J. STEWART
SECRETARY

United States Senate

OFFICE OF THE SECRETARY

OFFICE OF SENATE SECURITY
WASHINGTON, DC 20510

February 6, 1989

The Honorable Alan Cranston
Chairman, Committee on Veterans Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In response to your request, I am enclosing a list of those members of your Committee staff who presently hold security clearances. Should any of these individuals leave the Committee staff, or should they no longer require access to classified material, please have them notify the Office of Senate Security at once.

If I can be of further assistance to you or to your staff, please call me at 224-5632.

Respectfully submitted,

Michael P. Di Silvestro

Michael P. Di Silvestro
Director of Security

cc: The Honorable Frank Murkowski

Last	First	MI	SSN	Status	Level	ClearDate	Inv Type	InvDate	Next Inv	Grant Agency	Q	C/W	Misc
BREW	WILLIAM	E.	227-60-1999	ACTIVE	TS	26-Sep-86	DIS	15-Sep-86	14-Sep-91	DOD	N	N	
PTAK	ALAN	C.	274-48-8113	ACTIVE	TS	24-Oct-88	FF	18-Mar-88	17-Mar-93	DOD	Y	N	
STEINBERG	JONATHAN	R.	163-36-2645	ACTIVE	TS	26-Sep-86	BI	19-Aug-86	18-Aug-91	DOD	N	N	
THEROUX	SUSAN	L.	037-32-1459	ACTIVE	TS	14-May-87	BI	7-May-87	5-May-92	DOD	N	N	

Office of the Attorney General
Washington, D. C. 20530

February 7, 1989

The Honorable Julian C. Dixon
Chairman
Committee on Standards of Official Conduct
United States House of Representatives
Suite HT-2, U.S. Capitol
Washington, D.C. 20515

The Honorable John T. Myers
Ranking Minority Member
Committee on Standards of Official Conduct
United States House of Representatives
Suite HT-2, U.S. Capitol
Washington, D.C. 20515

Dear Congressman Dixon and Congressman Myers:

Senator Cranston has asked for copies of "classified (SECRET) correspondence dated January 24, 1978, from Attorney General Griffin B. Bell to House Speaker Thomas P. O'Neill...". We have been unable to find this document in the Department of Justice. The files of your Committee appear to contain the letter Senator Cranston is seeking. With the Office of the White House Counsel's approval, I am requesting your assistance in making the January 24th letter available to Senator Cranston with the obvious precautions to protect its classified status.

Your help in this matter is greatly appreciated.

Sincerely,

Dick Thornburgh
Attorney General

cc: The Honorable Alan Cranston
The Honorable Frank H. Murkowski
The Honorable C. Boyden Gray

ONE HUNDRED FIRST CONGRESS
JULIAN C. DIXON, CALIFORNIA, CHAIRMAN
(202) 225-7103

JOHN T. MYERS, INDIANA

U.S. House of Representatives

Committee on Standards of Official Conduct
Suite HT-2, U.S. Capitol
Washington, DC 20515

February 8, 1989

The Honorable Alan Cranston
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This replies to your February 6, 1989, letter seeking access to a classified document dated January 24, 1978, from Attorney General Griffin B. Bell to House Speaker Thomas P. O'Neill. Your letter indicates that access to the subject correspondence is sought in connection with the Senate's consideration of the President's nomination of Edwin Derwinski.

Enclosed for your information is a copy of correspondence sent this date to Attorney General Thornburgh regarding the request of the Department of Justice that this Committee make the letter available to the Senate Committee on Veterans' Affairs. While the letter is self-explanatory, we wish to reiterate that (1), since the Department has a copy of the subject letter in its custody and control coupled with the facts that, (2) the Department initiated (and apparently classified) the correspondence, and (3) House and Committee rules militate against disclosure of such material to any individual not on the Committee or its staff, it would be inappropriate to do so in the instant matter.

We next turn to your request for access to other Committee materials relevant to the Committee's 1978 investigation concerning an unauthorized disclosure of information to the South Korean Government about a forthcoming defection of a South Korean CIA agent. But for the subject January 24, 1978 letter, the Committee's October 14, 1978, press release, (which you have previously indicated possession of) and related press clippings, there are no other materials in the Committee's files or under its custody and control relevant to this matter.

Sincerely yours,

Julian C. Dixon
Chairman

John T. Myers
Ranking Minority Member

Enclosure

cc: The Honorable Frank H. Murkowski
United States Senate

ONE HUNDRED FIRST CONGRESS
JULIAN C. DIXON, CALIFORNIA, CHAIRMAN
VIC FAZIO, CALIFORNIA
BERNARD J. DWYER, NEW JERSEY
ALAN B. MOLLOHAN, WEST VIRGINIA
JOSEPH M. GAYDOS, PENNSYLVANIA
CHESTER G. ATKINS, MASSACHUSETTS
(202) 225-7103

JOHN T. MYERS, INDIANA
JAMES V. HANSEN, UTAH
CHARLES PATHY JR., CALIFORNIA
THOMAS E. PETRI, WISCONSIN
LARRY E. CRAIG, IDAHO
HANK BROWN, COLORADO
RALPH L. LOTKIN, CHIEF COUNSEL

U.S. House of Representatives
Committee on Standards of Official Conduct
Suite HT-2, U.S. Capitol
Washington, DC 20515

February 8, 1989

BY TELEFAX

The Honorable Richard Thornburgh
United States Attorney General
Washington, D. C. 20530

Dear Mr. Attorney General:

This responds to your February 7, 1989, letter regarding this Committee's disclosure of classified correspondence to the Senate Committee on Veterans' Affairs. Specifically, you stated that the Department of Justice has "been unable to find . . . in the Department of Justice" classified correspondence dated January 24, 1978, from Attorney General Griffin B. Bell to House Speaker Thomas P. O'Neill. Because Senator Cranston has sought from you a copy of this letter, and because the files of this Committee "contain the letter Senator Cranston is seeking," you request our assistance in making Attorney General Griffin Bell's "letter available to Senator Cranston with the obvious precautions to protect its classified status."

As an initial matter, we wish to point out that on Friday, February 3, 1989, the Committee's Chief Counsel, Ralph L. Lotkin, permitted review of the letter and the attachments thereto and gave a copy thereof to Assistant Attorney General Thomas M. Boyd, Executive Assistant to the Attorney General Robin Ross, and Thomas Kirk, Federal Bureau of Investigation, at their specific request and direction. Consequently, while a search of Department records may have been unsuccessful in locating the Department's copy of the correspondence sent to Speaker O'Neill by Attorney General Bell, it nevertheless remains that a copy of the letter in the Committee's files has been in the Department's custody and control since February 3, 1989. An additional copy of the subject correspondence is available for your review and can be obtained by contacting the Committee's Chief Counsel, Ralph L. Lotkin, at 225-7103.

Regarding your request that this Committee make the subject letter available to Senator Cranston, it is this Committee's position that such action should be taken by your Department and not by the House Committee on Standards of Official Conduct. This position is based upon the fact that the document was initiated, and apparently classified, by the Department of

Justice which now has custody and control of a copy of the document. Moreover, release by this Committee would be inconsistent with House and Committee rules which preclude the disclosure of documents in the Committee's files to an individual not on the Committee or its staff. The subject rules do not, however, operate to prevent a third party (e.g., the Department of Justice) from independently releasing materials, or copies thereof, it has sent to the Committee.

In the light of the above, compliance with your request would not only be inappropriate but would be in derogation of controlling rules of this Committee and of the House of Representatives.

Sincerely yours,

Julian C. Dixon
Chairman

John T. Myers
Ranking Minority Member

JS:RLL

Copy to: The Honorable Alan Cranston
The Honorable Frank H. Murkowski

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
SPARK M. MATSUNAGA, HAWAII
DENNIS DECONCINI, ARIZONA
GEORGE J. MITCHELL, MAINE
JOHN D. ROCKEFELLER IV, WEST VIRGINIA
BOB GRAHAM, FLORIDA
FRANK H. MURKOWSKI, ALASKA
ALAN K. SIMPSON, WYOMING
STROM THURMOND, SOUTH CAROLINA
ROBERT T. STAFFORD, VERMONT
ARLEN SPECTER, PENNSYLVANIA
JONATHAN R. STEINBERG, CHIEF COUNSEL/STAFF DIRECTOR
ALAN C. FEAK, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 8, 1989

The Honorable C. Boyden Gray
Counsel to the President
The White House
Washington, D.C. 20501

Dear Boyden:

Following our meeting last Thursday, I met with Congressman Derwinski on Friday afternoon.

In going over the situation with Congressman Derwinski, it seemed to me that you or someone from the Executive Branch should make available to him the specific allegations, so that he would be in a position to respond to concerns which the Veterans' Affairs Committee and I have. As a matter of basic fairness to him, just like it would be a matter of basic fairness to anyone who was asked to respond to any allegation, it is necessary for him to know the specifics and that can only be provided, as I understand it at this stage of the proceeding, by someone from the Executive Branch.

I raised this concern with Senator Cranston who agrees, and I believe that Senator Murkowski also concurs. Senator Murkowski and I have discussed the importance of completing a review of all relevant factual materials at an early date so that the confirmation process can go forward.

I stand ready to put this item at the top of my agenda, as I believe Senator Cranston and Senator Murkowski and others on the Committee will do so, so that the confirmation process can proceed.

I am asking my secretary to call your secretary to read this letter or to telex it to your office forthwith so that you can have it at the earliest possible moment.

Sincerely,

Arlen Specter

AS:gmc

cc's: Senator Cranston
Senator Murkowski

U.S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

February 9, 1989

Michael Di Silvestro
Director
United States Senate Security Office
Washington, D.C. 20510

Dear Mr. Silvestro:

Pursuant to the discussions today between your office, William P. Cook of my staff and John Steinberg of the Veterans Affairs Committee regarding review of the enclosed letter and classified attachments by then Attorney General Griffin Bell to the House Ethics Committee dated January 24, 1978, by Members and/or staff of the Senate Veterans Committee, a copy of the document is hereby provided to your office as required by the Senate Security Manual.

Only Members and appropriately cleared staff designated by the Chairman and Ranking Minority Member of the Senate Veterans Affairs Committee may be provided access to the document. Upon completion of the Committee's review of the material, please contact my office to make arrangements for its return to the Department.

Sincerely,

Thomas M. Boyd
Assistant Attorney General

cc: Honorable Alan Cranston
Honorable Frank H. Murkowski
Honorable C. Boyden Gray

U.S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

February 9, 1989

The Honorable Alan Cranston
Chairman
Senate Committee on Veterans Affairs
Washington, D.C. 20510-6375

Dear Mr. Chairman:

This is in response to your request, dated January 27, 1989 for access to classified information in the possession of the House Committee on Standards of Official Conduct and pertaining to its investigation of former Congressman Edward Derwinski. We contacted the House Committee yesterday, February 8, and gave our permission for it to grant your Committee Members, and your appropriately cleared staff, access to the material it currently holds, as we understood we were to do in accordance with the House Committee's January 24, 1989 letter to you.

Late yesterday afternoon, the Committee responded to us that its rules preclude it from providing the original material directly to you and suggested instead that the Department provide you with a copy of Attorney General Bell's January 24, 1978 letter and classified attachments, which they had supplied to us on February 3, 1989.

We are therefore happy to comply with your request by supplying you with access to a copy of the original material already in the possession of the House Committee.

As required by the recently issued Senate Security Manual, my staff has made arrangements with the Senate Security Office (SSO) to provide Members and appropriately cleared Veterans Committee staff personnel an opportunity to review the documents. Please feel free to have your staff call Michael Di Silvestro, Director of SSO, at 224-5632 in order to arrange a specific date and time for the review.

I trust this letter is fully responsive to your request. If I can be of any further assistance, please do not hesitate to contact me.

Sincerely,

Thomas M. Boyd
Assistant Attorney General

cc: Honorable Frank H. Murkowski

Michael Di Silvestro, Director
Senate Security Office

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
SPARK M. MATSUNAGA, HAWAII
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ALAN C. PEAK, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 9, 1989

C. Boyden Gray, Esq.
Counsel to the President
The White House
Washington, D.C. 20501

Dear Boyden,

The Committee has scheduled a closed, Members-only executive session for 1:30 P.M. on Wednesday, February 22, 1989, regarding the Edward J. Derwinski nomination. The meeting will focus on the report, with accompanying material, of his FBI background investigation.

There are a number of issues arising out of the report and material that we would like to discuss with Mr. Derwinski in the course of that meeting. To be able to do so and in the interest of fairness to him, we specifically request that arrangements be made to give him access, well in advance of that meeting, to his documented interviews in the FBI reports and to those classified materials relating to the 1977 unauthorized disclosure of the planned defection of a South Korean CIA agent.

We also believe that it is essential that our Committee have access to the notes, minutes, and any reports or other materials, as they relate to Mr. Derwinski, arising out of a Federal Grand Jury investigation in the Fall of 1977 into the incident of unauthorized disclosure mentioned above. In that regard, we ask that the Department of Justice be directed to initiate a judicial proceeding in the U.S. District Court for the District of Columbia to seek access to that information so that it can be reviewed by this Committee. We further ask that Mr. Derwinski's agreement be sought and, if obtained, communicated to the District Court. The Office of Senate Legal Counsel is prepared to provide assistance to the Department in such a proceeding.

We thank you for your cooperation and for your timely efforts in these matters.

Sincerely,

Alan Cranston
Chairman

Frank H. Murkowski
Ranking Minority Member

cc: Honorable Dick Thornburgh
Honorable Arlen Specter
Honorable Edward J. Derwinski

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
SPARK M. MATSUNAGA, HAWAII
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JONATHAN R. STEINBERG, CHIEF COUNSEL/STAFF DIRECTOR
ALAN C. PTAK, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 9, 1989

Honorable Edward J. Derwinski
Office of Administrator of Veterans' Affairs
810 Vermont Avenue, N.W.
Washington, D.C. 20420

Dear Ed,

We are writing in follow-up to your February 2, 1989, letter to Senator Cranston concerning the matter of the disclosure of information to the South Korean Government.

In your answer to question number 4 regarding your testimony before the Grand Jury in 1977, you indicated that "[c]ounsel has advised [you] that grand jury proceedings are subject to a rule of secrecy." On that basis, you declined to answer specifically the question about that testimony.

It is correct that Rule 6(e) of the Federal Rules of Criminal Procedure provides for a general rule of secrecy for grand jury proceedings. That provision, however, sets forth specifically the persons to whom the rule of secrecy applies, i.e., a "grand juror, an interpreter, a stenographer, an operator of a recording device, a typist who transcribes recorded testimony, an attorney for the government, or any person to whom such disclosure is made [under another provision in the rule]". Rule 6(e) further provides that "[n]o obligation of secrecy may be imposed on any person except in accordance with this rule."

It is our understanding that Rule 6(e) is not a bar to a witness discussing what he or she said before a grand jury. We would appreciate it if you would seek to confirm our understanding and, assuming it is correct, provide us with a response to the earlier question about the nature of your 1977 testimony.

Sincerely,

Alan Cranston
Chairman

Frank Murkowski
Ranking Minority Member

cc: Boyden Gray, Esq.

THE WHITE HOUSE

WASHINGTON

February 14, 1989

Dear Mr. Chairman:

Thank you for your letter of February 9, 1989, informing me of the closed, executive session of the Committee on Veterans' Affairs that is scheduled for February 22, 1989, to discuss the nomination of Edward J. Derwinski for Secretary of Veterans Affairs.

In your letter you indicated the Committee's desire to meet with Mr. Derwinski concerning a number of issues arising out of the Federal Bureau of Investigation's (FBI's) background investigation. Your letter further requests that the Executive branch provide Mr. Derwinski with access to various materials (including classified documents) that relate to the so-called Koreagate affair.

We defer to the judgment of the Members of the Committee as to the information raised in the FBI background investigation that they feel must be discussed with Mr. Derwinski. We note, however, that since many of these materials relate to a previous criminal investigation, the White House did not believe it was appropriate to provide Mr. Derwinski with access to the various materials compiled by the FBI, which include classified documents, before his nomination was submitted to the Senate; we continue to believe that it is inappropriate for us to share those materials with him. (Of course, we express no opinion as to whether the House Committee on Standards of Official Conduct or the Senate Committee on Foreign Relations should provide to Mr. Derwinski materials they may have generated in connection with their investigation of his role in Koreagate.)

The allegations involving Congressman Derwinski's role in Koreagate were the subject of a 1977 grand jury investigation, a 1978 House Committee on Standards of

Official Conduct investigation and the Senate Committee on Foreign Relations confirmation hearing on Mr. Derwinski in 1983. We express no view as to the propriety of reopening an investigation of Congressman Derwinski's role in Koreagate at this time, except to say that responding to such an investigation is beyond the scope of the duties of the Office of the White House Counsel.

Accordingly, we have forwarded to the Department of Justice your request that the Department of Justice initiate a lawsuit on behalf of the Committee to obtain access to the referenced grand jury materials. With respect to this and other requests that in essence seek to reopen Koreagate, we request you deal directly with the Department of Justice or with the two relevant congressional committees that were previously involved.

Of course, the White House Counsel's office remains available to consider the Committee's requests for additional FBI investigation on matters that have arisen since Mr. Derwinski was last confirmed by the Senate in 1987 or matters that have not been addressed previously. In this connection, the FBI will complete its investigation of the allegations concerning Nazism in the very near future and we will make that report available to you at your convenience.

Sincerely,

C. Boyden Gray
Counsel to the President

The Honorable Alan Cranston
Chairman
Committee on Veterans' Affairs
United States Senate
Washington, D.C. 20510-6375

ALAN CRANSTON, CALIFORNIA, CHAIRMAN
SPARK M. MATSUNAGA, HAWAII
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ALAN C. PTAK, MINORITY CHIEF COUNSEL/STAFF DIRECTOR

United States Senate
COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 16, 1989

The Honorable C. Boyden Gray
Counsel to the President
The White House
Washington, D.C. 20501

Dear Boyden:

Thank you for your letter of February 14 responding to mine of February 8, 1989.

While I appreciate your deference to the "judgment of the Members of the Committee as to the information raised in the FBI background investigation which they feel must be discussed with Mr. Derwinski," that does not adequately respond to the considerations raised in my letter of February 8 or the issues raised by Senator Cranston and Senator Murkowski in their letter to you dated February 9, 1989.

In my judgment, there are papers in the FBI file which Congressman Derwinski should see in advance of questioning by members of the Veterans' Affairs Committee so that:

1. He can have an opportunity to prepare for the hearing as a matter of basic fairness to him, and;

2. The Committee members can pursue questioning of those subjects with Congressman Derwinski in a sensible fashion.

In view of the shortness of time and the slowness of the mail, I am asking my secretary to call your secretary to read this letter and to telex it to your office forthwith so you can have it at the earliest possible moment.

Sincerely,

Arlen Specter

AS:gmc

cc's: Senator Cranston
Senator Murkowski

Office of the Administrator
of Veterans Affairs
Washington, D.C. 20420

February 17, 1989

The Honorable Alan Cranston
Chairman, Committee on Veterans' Affairs
United States Senate
Washington, D. C. 20510

Dear Alan:

I am responding to your letters of February 9 to Boyden Gray and me regarding my nomination as Veterans' Affairs Secretary.

At the outset, I want to re. sure you of my continuing intention to cooperate as fully as possible to resolve any issues related to my confirmation. To this end, I am looking forward to appearing before the Committee in both executive and open session, whenever scheduled. At each I shall be ready to discuss questions we already reviewed, answer any new questions there might be, or elaborate on anything you and the other Committee members deem relevant.

I have provided as complete an accounting of the incident in question, which occurred nearly 12 years ago, as my memory and access to materials allow. Only recently did I have the occasion to review for the first time the 1977 FBI investigation report. I have asked White House Counsel to permit me to review more materials, within the bounds of White House policy, in order to comply with requests from you and others on the Committee.

While I appreciate that some Committee members are focusing on the press accounts of the Korean incident of 1977, I also wish to have a full opportunity to refute, for benefit of the committee members, the charge of anti-semitism also contained in the editorial that stimulated the current review.

I have made every effort to meet with members of the Committee and answer questions relating to these and other issues, including the written questions posed by you. I remain prepared to respond to any and all questions you and the other members of the Committee may wish to ask.

My goal is to put this issue behind us and achieve a prompt and satisfactory conclusion to the confirmation process, so that we can move on to the job of serving our veterans. As you can imagine, I am anxious to begin my new tasks. I know I will need the Committee's cooperation all along the way as we face the enormous challenges anticipated in the months ahead.

I greatly appreciate your consideration. I am also writing to Frank Murkowski and Arlen Specter on the matter.

Sincerely yours,

Edward J. Derwinski
Secretary-designate

Office of the Administrator
of Veterans Affairs
Washington, D.C. 20420

February 17, 1989

The Honorable C. Boyden Gray
Counsel to the President
The White House
Washington, D. C. 20500

Dear Boyden:

I want to thank you and John Schmitz for your advice and assistance as I prepare for my confirmation hearings before the Senate Committee on Veterans' Affairs.

In this regard, I refer to your letters of February 14, 1989, to Senators Cranston, Murkowski, and Specter, which were responses to their earlier letters requesting that (1) I be given access to the specifics of information about me contained in FBI reports and other classified Executive Branch materials and (2) that the Committee be given access to materials relating to me arising out of the Federal grand jury investigation in the Fall of 1977. I have had the opportunity to peruse the 1977 FBI report. I also understand that either you or John has shown and discussed various materials with interested Committee members.

If possible, I should like to be totally responsive in complying with legitimate requests from members of the Committee. Consequently, I ask to be allowed to review as many of the materials as possible, and would personally appreciate any flexibility that can be shown in this regard.

Naturally, my goal is to provide full cooperation to the Committee. However, I am cognizant of your responsibilities and, therefore, submit this request to you subject to whatever decision you are able to take, consistent with White House policy. I want to assure you of my ongoing cooperation with your office and my desire for a prompt and satisfactory conclusion to the confirmation process.

Yours sincerely,

Edward J. Derwinski
Secretary-designate

STATEMENT BY SENATOR STROM THURMOND (R-SC) REFERENCE VETERANS AFFAIRS COMMITTEE CONFIRMATION HEARING ON EDWARD DERWINSKI TO BE THE FIRST SECRETARY OF DEPARTMENT OF VETERANS AFFAIRS, MARCH 1, 1989 SH-216, 1:30 P.M.

MR. CHAIRMAN:

I AM PLEASED TO BE HERE THIS MORNING FOR THE CONFIRMATION HEARINGS OF MR. EDWARD DERWINSKI--PRESIDENT BUSH'S NOMINEE TO BE THE FIRST SECRETARY OF THE DEPARTMENT OF VETERANS AFFAIRS. THIS IS TRULY A HISTORIC MOMENT, AND I WANT TO THANK YOU FOR SCHEDULING THESE HEARINGS. THE ROAD TO CABINET STATUS HAS BEEN A LONG ONE, AND IN JUST A LITTLE OVER ONE MONTH THE NEW DEPARTMENT IS TO BE OFFICIALLY IN PLACE.

MR. CHAIRMAN, THE MAN CHOSEN TO SERVE AS SPOKESMAN FOR OUR NATION'S 27.3 MILLION VETERANS BRINGS WITH HIM NUMEROUS QUALIFICATIONS. FIRST AND FOREMOST, HE IS A VETERAN HIMSELF, HAVING SERVED AS AN ARMY INFANTRYMAN IN THE PACIFIC THEATER DURING WORLD WAR II. HIS MEMBERSHIP IN THE AMERICAN LEGION, VETERANS OF FOREIGN WARS, AND OTHER SERVICE ORGANIZATIONS PROVIDE HIM WITH A GOOD BASE OF UNDERSTANDING OF WHAT THE NEEDS AND CONCERNS OF VETERANS ARE IN THE 1980'S AND 1990'S. IN FACT, I UNDERSTAND HE HAS A SPECIAL TASTE FOR LEGION FISH FRIES.

MR. DERWINSKI'S 32 YEARS OF PUBLIC SERVICE WILL SERVE HIM WELL IN THE POSITION OF CABINET SECRETARY. AFTER SERVING TWO YEARS IN THE ILLINOIS STATE HOUSE OF REPRESENTATIVES, HE SUCCESSFULLY RAN FOR CONGRESS FROM THE SOUTH SIDE OF CHICAGO, REPRESENTING THE DISTRICT FOR 24 YEARS. AS A MEMBER OF THE HOUSE, HE WAS THE RANKING REPUBLICAN OF THE FOREIGN AFFAIRS, AND POST OFFICE AND CIVIL SERVICE COMMITTEES, AND WAS INSTRUMENTAL IN PASSAGE OF LANDMARK CIVIL SERVICE REFORM LEGISLATION, AND FOREIGN AID REFORM.

AFTER LEAVING CONGRESS IN 1983, HE WENT TO THE STATE DEPARTMENT TO SERVE AS COUNSELOR AND AS AN ADVISER TO FORMER SECRETARY OF STATE GEORGE SHULTZ. SINCE MARCH 1987, MR. DERWINSKI HAS SERVED VERY ABLY AS THE UNDERSECRETARY OF STATE FOR SECURITY ASSISTANCE, SCIENCE AND TECHNOLOGY.

MR. CHAIRMAN, IN ALL OF THESE POSITIONS, MR. DERWINSKI HAS DEMONSTRATED A NO-NONSENSE APPROACH TO GETTING THINGS DONE. THAT IS THE TYPE OF PERSON WE NEED AT THE NEW DEPARTMENT. MR. DERWINSKI HAS GENERALLY ENJOYED A WARM RELATIONSHIP WITH MEMBERS ON BOTH SIDES OF THE AISLE OVER THE YEARS, AND I HOPE THAT WILL CONTINUE IN THE YEARS AHEAD. HIS CAREER, AS A WHOLE, HAS BEEN ONE OF DEDICATED PUBLIC SERVICE.

AS AN ASIDE, I MUST MENTION THAT HIS LOVELY WIFE BONITA IS ALSO TALENTED IN HER OWN RIGHT, HAVING SERVED THE REAGAN ADMINISTRATION AS DEPUTY DIRECTOR OF CONGRESSIONAL AND PUBLIC AFFAIRS AT THE IMMIGRATION AND NATURALIZATION SERVICE.

MR. DERWINSKI, I FIRST INTRODUCED THE BILL TO MAKE THE VETERANS ADMINISTRATION A CABINET DEPARTMENT IN 1975. AS THE ORIGINAL SPONSOR OF THAT LEGISLATION LAST YEAR, I'M DEEPLY INTERESTED IN THE NEW DEPARTMENT, AND AM PLEASED THAT YOU HAVE BEEN SELECTED AS THE FIRST NOMINEE.

MR. CHAIRMAN, I LOOK FORWARD TO REVIEWING THE TESTIMONY PRESENTED TODAY AND AM PLEASED TO COMMEND MR. DERWINSKI TO MY COLLEAGUES.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

THE EXECUTIVE DIRECTOR
WASHINGTON OFFICE

STATEMENT OF

COOPER T. HOLT, EXECUTIVE DIRECTOR
VFW WASHINGTON OFFICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

WITH RESPECT TO

THE NOMINATION OF EDWARD J. DERWINSKI TO BE
SECRETARY OF VETERANS AFFAIRS

WASHINGTON, D. C. FEBRUARY 6, 1989

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the privilege of appearing before this Committee to present the views of the Veterans of Foreign Wars of the United States on the historic occasion of the confirmation hearing of the first Secretary of Veterans Affairs.

At the outset, Mr. Chairman, permit me to commend you and others on the Committee for your efforts in realizing the long-sought goal of elevating the Veterans Administration to a federal department. Finally, the agency tasked with administering the entitlements and benefits of our nation's 27 million veterans has received the authority and stature commensurate with the vast responsibilities associated with such an endeavor. The enactment of Public Law 100-527 attests to the commitment that Congress has in affording veterans a voice at the highest level of government.

As the record reflects, President Bush nominated Edward Derwinski to be the first Secretary of Veterans Affairs on December 22, 1988. As a member of Congress, Mr. Derwinski represented the southern portion of Cook County, Illinois, for 24 years. He was ranking minority member on the House Post Office and Civil Service Committee and second ranking minority member on the Foreign Affairs Committee. While in Congress, Mr. Derwinski played key roles in the passage of legislation initiated by Presidents of both parties and has earned the respect of his colleagues on both sides of the aisle.

Mr. Derwinski's House career ended in 1982 as a result of re-districting; however, his service to his country continued. In 1983, Mr. Derwinski was named State Department Counselor and most recently held the position of Under-Secretary for Security Assistance, Science and Technology. At the State Department, he was extremely successful in handling problems on foreign aid and coordinating various activities relating to the Los Angeles and Seoul Olympics. Prior to his political career in Washington, D. C., Mr. Derwinski served in the Illinois General Assembly.

Mr. Chairman, as an Army combat veteran of the Pacific Theater during World War II, Mr. Derwinski knows firsthand the sacrifices that our nation's veterans have experienced. We trust he joins the VFW in our fervent belief that veterans' benefits and entitlements are a continuing cost of war. We expect Mr. Derwinski to use his strength and ability to ensure that no one will be permitted to usurp his authority or prerogative as the Secretary of Veterans Affairs. We are always optimistic that whoever heads the third-largest agency of the federal government will be the true veteran's advocate within the Administration and this is what we expect of Mr. Derwinski.

The new Secretary of Veterans Affairs is taking office at a most challenging time--all veterans' programs are under attack. Specifically, the health-care system is woefully underfunded and staffing levels in all areas are being reduced.

The priorities of the VFW with respect to veterans' benefits are (1) to maintain the integrity of the VA hospital and medical care system for the treatment of all veterans in need of health care, (2) to maintain the integrity of the compensation program for the 2.2 million veterans in receipt of benefits thereunder and the dependency and indemnity compensation program (DIC) for the 1.3 million survivors of veterans killed on active duty or permanently and totally disabled at the time of death and (3) to maintain the integrity of the pension program for the more than 800,000 veterans in need due to their nonservice-connected disabilities and their more than 900,000 survivors. We believe Mr. Derwinski is well aware of the VFW's priorities.

Mr. Chairman, Mr. Derwinski has initiated several meetings with the Veterans of Foreign Wars since his nomination as Secretary of Veterans Affairs in order to discuss relevant issues and learn the primary concerns of the VFW. Through this action, he has demonstrated to us the ability and willingness to come to grips with the problems confronting veterans and veterans' programs. We certainly view this in a positive light.

Given the foregoing, Mr. Chairman, the Veterans of Foreign Wars will support Edward J. Derwinski as the Secretary of Veterans Affairs so long as he is a strong and effective veteran's advocate. We wish Mr. Derwinski well and look forward to a working relationship beneficial to veterans of all wars who have rendered a very special service to this great nation of ours.

Thank you.

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

by

E. PHILIP RIGGIN, DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

and

JOHN F. SOMMER, JR., DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION

before the

SENATE VETERANS AFFAIRS COMMITTEE

on

CONFIRMATION OF EDWARD DERWINSKI
TO BE SECRETARY OF VETERANS AFFAIRS

FEBRUARY 6, 1989

STATEMENT OF JOHN F. SOMMER, JR., DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE COMMITTEE ON VETERANS AFFAIRS
UNITED STATES SENATE
FEBRUARY 6, 1989

Mr. Chairman and Members of the Committee:

The American Legion thanks the Committee for this opportunity to offer comment on the President's nomination of Edward J. Derwinski to be the first Secretary of the Department of Veterans Affairs.

At the outset, Mr. Chairman, may we say that the achievement of the historic legislation - the Department of Veterans Affairs Act - which will elevate the Veterans Administration to the fourteenth Cabinet-level department in the Federal Government, effective March 15, was an American Legion objective for over two decades. Therefore, we look forward with a great deal of pride and anticipation to the transition of the agency from one of independent status to a full-fledged Executive Department.

Historically, The American Legion, as governed by its Congressionally-approved charter and its Constitution and By-Laws, has been and continues to be a non-political and non-partisan organization. As such, it has consistently refrained from endorsing candidates for public office.

At the same time we must say that it has also been the consistent policy of the Legion that the President of the United States has and should have, the prerogative of appointing officers of government in whom he has confidence. That is certainly true in the case of the Secretary, and on that basis, we formally state to the Committee that The American Legion has no objection to the appointment of Mr. Derwinski to be Secretary of the Department of Veterans Affairs.

Having set forth those parameters, we should now like to briefly state what The American Legion expects of the Secretary of Veterans Affairs. While we do not endorse

candidates for Federal office, we do, as the nation's largest and fastest growing veterans organization, reserve the right to express our judgment on how well the individual in that position serves the needs of America's veterans and their dependents and survivors.

It is important that the Secretary be a veteran who has experienced military service during wartime. Only then can he understand the needs and requirements of veterans.

It is our belief that three of the most significant attributes the nominee must bring to the office are understanding, compassion and administrative ability.

Veterans are men and women who have answered the call of the nation. They have dropped their own affairs to defend the national interest. Because veterans have performed this special service to the nation, we submit they are entitled to special consideration by the Government and the people they served.

So, for us who are veterans, we expect the Secretary to articulate our thoughts and feelings, our just needs, and our problems, in the highest councils of government. He must be a spokesman for veterans and an advocate for legitimate veterans programs.

Mr. Chairman, as it considers this nomination of the President, this Committee, in our judgment, must proceed with the knowledge that the Veterans Administration today is an agency replete with problems. The Secretary must be expected to address himself to these problems as soon as he is confirmed in office.

Suffice it to say that the single most critical concern that exists within the Agency today in our opinion, is the combination of inadequate funding, personnel shortages and management problems within the Department of Medicine and Surgery.

In early September, we advised the Committee that we were aware of serious budgetary shortfalls at <u>many</u> VA medical centers. Today, we can honestly say that it appears there are serious problems at <u>every</u> medical care facility - and they are getting

worse.

As we stated at that time - prior to the commencement of the current fiscal year - the funding shortfall for the Department for FY 1989 may reach as high as $1 billion, and unless a supplemental appropriation is provided even more draconian actions will be taken throughout the medical care system to reduce spending.

A myriad of factors are responsible for the current fiscal crisis, one of the most ominous being decremental budgeting over the past several years. Other elements contributing to the totally inadequate medical care funding are dollars withdrawn for the one percent productivity incentive, workload reductions, Gramm-Rudman-Hollings reductions, as well as escalating costs for drugs, supplies and medical technologies. Numerous times new programs have been legislated without the necessary funding, which has forced medical center directors to divert funds earmarked for equipment and non-recurring maintenance accounts, among others, to help save medical care programs and to support personnel salary costs. We just recently learned that new activation funds, which had been reduced already because of the lack of a supplemental appropriation, have been shifted to personnel accounts to hire additional medical care staff and pay existing salaries. This has delayed the opening of facilities that were scheduled for this fiscal year.

The American Legion is currently analyzing the findings of a survey of medical center directors, wherein we requested some pertinent information relating to funding and staffing issues at the individual facilities. As soon as that data is developed we will share it with this Committee for its use in the budget deliberations for FY 1990, and, we trust, a supplemental appropriation for the current fiscal year.

We are aware, in general, that many nonservice-connected veterans are losing eligibility for medical care, the availability of prescription drugs is being greatly

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reduced, drastic reductions in the provision of contract community nursing home care are being reported by a majority of medical centers, and the list goes on and on. Mr. Chairman, as mentioned a moment ago, we will be pleased to share the results of our survey with you and the Committee, and will do so in the near future.

There are also other problems that need to be addressed in an open and objective manner. The Federal Government has not met its responsibility to Vietnam veterans and their families in attempting to determine the long-term health effects of Agent Orange on those who were exposed to it. The Veterans Administration - soon to be the Department of Veterans Affairs - should have taken a lead role in this subject when it first became an issue in the mid-1970s. However, it did not. Now that the Centers for Disease Control has arbitrarily declared this a dead issue, the Veterans Administration has apparently agreed with them and decided to do nothing.

The American Legion's position on this important subject is that the United States Armed Forces used the defoliant in Vietnam, therefore it is now the responsibility of the Federal Government to use all resources available to determine the effects of Agent Orange on those Vietnam veterans who were exposed to it, and to adequately compensate those who are determined to be suffering diseases or disabilities relating thereto. The study was mandated by PL 96-151 in 1979. It has yet to be carried out.

Additional problems continue to exist in the treatment and diagnosis of Post-Traumatic Stress Disorder within the Veterans Administration. There is a need for improvements to be made in the availability of treatment in VA medical centers, particularly for veterans with severe cases of PTSD. The Chief Medical Director's Special Committee on PTSD has made some recommendations in this area that should be thoroughly reviewed. Recently completed research in the area of PTSD should also receive significant attention by the Agency.

These are genuine problems that should receive the attention of the new Secretary. Unfortunately to a large degree they have been neglected.

As we have mentioned in previous presentations before this Committee, the cost of war does not end when the shooting stops.

The amount of money spent on veterans benefits and medical care today is a declining percentage of total Federal expenditures. It is most certainly a debt of honor, and is money well spent. The compassion and concern that has historically been manifested by the American people as a whole toward this nation's returning warriors is one major reason why its young men and women respond when they are called to national service. This has served the United States well for more than 200 years and through numerous wars and campaigns. It represents an unwritten pact between the Government and the people which is the lifeblood of the continued existence of this nation.

The American Legion looks forward to working with the new Secretary. We pledge to him the cooperation and assistance of this organization, as we have to his predecessors, so long as the agency is doing everything possible to work toward the good of America's veterans.

In meeting the obligations included in the mandates approved by its policy-making bodies, and encompassed in the Charter granted by the Congress in 1919, The American Legion will continue its mission of ensuring service to our veterans, and their dependents and survivors.

Once again Mr. Chairman, we thank you and the Members of the Committee for this opportunity to present our views.

STATEMENT OF
JOHN F. HEILMAN
NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES SENATE
MARCH 1, 1989

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the over 1.1 million members of the Disabled American Veterans and its Ladies' Auxiliary, may I express my appreciation for this opportunity to present the views of the DAV on the nomination of Edward J. Derwinski for the Office of Secretary of Veterans Affairs.

Mr. Chairman, in view of the recent elevation of the Veterans Administration to executive level status as the new "Department of Veterans Affairs," your endeavors today are of fundamental significance in terms of assuring that the highest caliber of leadership is placed at the helm of our nation's system of federal veterans' benefits and services.

Equally significant is the impact of today's deliberations upon the present and future well-being of our nation's veteran population, their dependents and survivors.

These actual and potential VA beneficiaries -- who currently constitute almost 40% of our country's entire

population -- regard the newly designated Department of Veterans Affairs as the federal entity created exclusively for their needs.

And, indeed, this is so.

The magnitude of the responsibilities of the Department of Veterans Affairs and the scope of its various programs of service are well known to this Committee. Suffice it to say here that the Department, contingent upon the needs and eligibility of those whom it serves, provides such benefits as:

> Comprehensive medical care; aid in education pursuits and/or vocational rehabilitation; service-connected disability compensation and nonservice-connected pension; life insurance protection; guaranteed home loans; and financial assistance for the survivors of deceased service-connected and nonservice-connected veterans.

Unquestionably, the individual who assumes the Office of Secretary of Veterans Affairs assumes a tremendous responsibility. This Committee and the Senate as a whole, who must consent to the nomination for that office, assume no less a responsibility.

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With these thoughts in mind, Mr. Chairman, we in the DAV trust that our comments today will provide a beneficial contribution to your important deliberations.

The nominee for Secretary of Veterans Affairs, Edward J. Derwinski, is a former member of Congress whose career of public service has spanned a period of some 32 years.

Following World War II active duty in which he served as a combat infantryman in the Pacific Theater, Mr. Derwinski obtained a Bachelor of Science degree from Loyola University in Chicago (1951). A burgeoning career in the savings and loan industry was then set aside when the nominee ran for and served one term in the Illinois House of Representatives (1957-58). The native born Chicagoan was then elected to the 86th Congress as the Republican representative for the Fourth Congressional District, Illinois (Southern Cook County) and was reelected to the eleven succeeding Congresses serving from January 1959 to January 1983.

Denied renomination in the 98th Congress following reapportionment of his District, Mr. Derwinski was appointed and served as Counselor, Department of State (1983-87). From March of 1987 to the present, Mr. Derwinski has served as the Undersecretary of State for Security Assistance, Science and Technology.

Mr. Chairman, through this confirmation process, your Committee has an obligation to determine, to the best extent possible, just how Mr. Derwinski views the office to which he aspires. Any individual nominated for the position of Secretary of Veterans Affairs should be questioned most closely regarding his philosophical beliefs vis-a-vis our veterans' benefits system as a whole, as well as the major programs and services within that system.

Such an examination should, we feel, reveal sentiments and beliefs similar to the following:

Notwithstanding the fact that the Secretary of Veterans Affairs will be a member of the "President's team," his first and foremost loyalty must be directed at promoting the best interest of this nation's veterans and the Department created and committed to fulfilling their needs.

The Secretary should judge the merit of any policy change or reorganization plan affecting the Department or any of its functions -- whether initiated from without or from within -- on such a proposal's ability to provide an affirmative answer to the following two questions:

1. Is it in the best interest of our country's veterans, their dependents and survivors? And,

2. Will the present integrity and independence of the Department and its programs remain unimpaired?

The Secretary should utilize the nonpartisan concept, surrounding himself with staff members of high competence and genuine understanding of the needs of our nation's veteran population. Furthermore, dedication to duty, quality of productivity and personal initiative on the part of all Department employees should be encouraged and suitably rewarded.

The Secretary should have a candid, working relationship with this Committee, your counterpart in the House, and the Congress as a whole. He should consult regularly with the Veterans Affairs Committees on matters affecting VA programs, not only informing them of intended funding initiatives, legislative proposals or policy changes, but seeking their advice and expertise on any and all such matters. Honesty and candor should be the watchwords of all communications to the Committees and their staffs.

Finally, the Secretary should endeavor to maintain a frank and open relationship with veterans' service organizations, advising and consulting with them prior to undertaking any administrative initiatives which might touch upon such areas as: The Schedule for Rating Disabilities; the opening and closing of Department Regional Offices, hospitals and outpatient

clinics; and the existing level of any services to veterans, their dependents and survivors.

Mr. Chairman, we feel agreement on the part of the nominee with the foregoing principles is essential if the Department of Veterans Affairs is to remain steadfast and faithful to its motto -- "To care for him who shall have borne the battle, and for his widow and his orphan."

Before closing, Mr. Chairman, I would like to make the following observations:

As is obvious to the Committee, my testimony today has not focused upon the nominee himself, but rather upon the manner in which we believe Mr. Derwinski, or anyone nominated for the position of Secretary of Veterans Affairs, should act in that office.

As you are quite aware, the DAV has taken no official position -- either pro or con -- regarding Mr. Derwinski's nomination. Quite frankly, prior to his selection and public announcement of same by then President-Elect Bush, we were not aware that Mr. Derwinski was in consideration for the position.

The nominee, in three separate meetings that he has had with officials of the DAV, has been most emphatic in expressing his enthusiasm for assuming leadership of the Department of

Veterans Affairs, réalistic in his assessment of the challenges inherent to such a position and clear in his determination to serve as an effective advocate for our nation's veterans.

He has also been quite candid about his lack of prior experience and expertise in veterans' issues at any prominent and lasting level (though as a newly elected member of Congress, he recalled his practice of being "personally involved" in the handling of his veteran constituency casework).

However, while familiarity with veterans' programs certainly would be regarded as a "plus" in the background of anyone nominated for the position of Secretary of Veterans Affairs, the existence of such credentials or lack thereof does not, in and of itself, preordain that an individual will or will not perform in an exemplary fashion.

As a material indication of advocacy for veterans, we do recall that Mr. Derwinski, while serving on the Post Office and Civil Service Committee, strongly supported preservation of the five point preference for veterans in federal employment when that benefit was endangered during President Carter's reform of the Civil Service system.

Wartime veterans, especially those who served during the Vietnam era, were certainly well served by Mr. Derwinski in that instant case.

In conclusion, Mr. Chairman, should the Senate confirm the nomination of Mr. Derwinski, the DAV stands ready to cooperate with him in any fashion and at any level in order to ensure the delivery and protection of our nation's system of veterans' benefits and services.

This concludes my statement, Mr. Chairman, and again I thank you and the Committee for extending the DAV the opportunity to appear here today.

PARALYZED VETERANS
OF AMERICA
Chartered by the Congress
of the United States

STATEMENT OF

R. JACK POWELL, EXECUTIVE DIRECTOR

PARALYZED VETERANS OF AMERICA

BEFORE THE

SENATE COMMITTEE ON VETERANS' AFFAIRS

CONCERNING THE

NOMINATION OF THE HONORABLE EDWARD J. DERWINSKI

AS

SECRETARY OF VETERANS AFFAIRS

MARCH 1, 1989

Mr. Chairman and Members of the Committee, it is an honor to speak today on behalf of the members of Paralyzed Veterans of America. I am grateful for the opportunity to present PVA's views concerning the nomination of the Honorable Edward J. Derwinski as the first Secretary of the, soon to be established, Department of Veterans Affairs.

To be named as the first Secretary of Veterans Affairs is an historic tribute befitting a man such as Mr. Derwinski who has a distinguished record of dedicated public service to our Nation.

801 Eighteenth Street, N.W., Washington, D.C. 20006 (202) USA-1300 Fax (202) 785-4452

Soon after graduation from high school, Mr. Derwinski served in the U.S. Army as an Infantryman in the Pacific Theater during World War II. Mr. Derwinski continued to serve his country honorably in the U.S. House of Representatives from 1959-1983. His Committee assignments in the House were Foreign Affairs and Post Office and Civil Service. As a senior minority member, Mr. Derwinski was credited with a major role in passage of the Civil Service Reform Act of 1978, a legislative triumph which reflected his concern for the Nation's civilian government employees. This is, in our opinion, a very important factor, since the VA employs nearly 245,000 government workers. It is the second largest employer of civil service personnel in the federal government ranking behind the Department of Defense. Mr. Derwinski's experience having served on this important Committee will be a tremendous asset to him and the Department which he will head.

The Fiscal Year 1990 Independent Budget, "The Need is Now," which was developed by the AMVETS, Disabled American Veterans, PVA and Veterans of Foreign Wars clearly illustrates the fact that service to veterans by the VA is at an all-time low. For the past decade, the agency has had to care for greatly expanding numbers of veterans in spite of a no-growth budget in terms of constant dollars. Specifically, the Independent Budget reported with regard to the Department of Veterans Benefits that "draconian reductions in FTEE over an extended period has resulted in unacceptable service to veterans in terms of the quality and timeliness of adjudication actions;" and that there exists "demoralization of the overworked DVB adjudication workforce and a corresponding inertia reflected by a lack of management movement on critical initiatives, such as automated data processing moderization, quality control, and training."

Even more critical, staffing shortages in the Department of Medicine and Surgery make the situation all the more bleak. The Independent Budget Reports, "Staff shortages of health professionals in the VA have been a recurring problem for sometime. It has now reached critical proportions with scarcity of allied health personnel second only to the shortage of nurses . . . Several thousand VA hospital beds are allegedly closed for want of necessary staff." Also, as recent PVA studies indicate, the health care crisis in the VA affects more than veterans. The VA is an integral and invaluable part of the Nation's health care system. These facts are a major reason PVA advocated the need to elevate the VA to a cabinet level agency. We have determined that what adversely affects the VA and veterans similarly has detrimental effects throughout the scope of National health care.

The new Secretary will face an immediate challenge to ensure that the federal government can fully maintain its commitment to those who have served in defense of this Nation. The VA medical system is in desperate need of rejuvenation. There is no question that innovative and cost effective treatment modalities must be explored and implemented if the VA is to care for the projected increase in veterans over the age of 65 which will put extraordinary demands on the already weakened VA system. From this point forward, as the Nation addresses the monumental problems facing health care delivery, the Secretary of Veterans Affairs will be at the bargaining table. His input will be essential.

The current state of the VA does not create the kind of environment that recognizes the professional contributions of its employees. This results in a serious declination of service to the individual veteran. Congress under

your leadership, Mr. Chairman, has recognized the VA's critical manpower shortage and enacted several legislative initiatives to address the problem in the 100th Congress. However, faced with the enormous budget shortfall which came to light during Committee hearings last Fall, many have yet to be implemented by the VA.

Improvements in the VA work environment and uplifting staff moral will go far towards improving service to veterans. Mr. Derwinski is stepping to the helm of a deeply troubled Agency. PVA is optimistic that the Secretary-nominee's proven track record as an understanding advocate for civil service employees will bring about many positive changes in the VA work force and in turn will have a direct effect on the veterans it serves.

There is no doubt that the effectiveness of the new Department will be measured by the quality of the personnel it employs and the service it renders. The new Secretary must recognize the importance of augmenting the new Department with appointees who are experienced managers.

Transformation means change, and PVA believes that to effectively manage a department the size and scope of the Department of Veterans Affairs, the Secretary must have in place knowledgeable, dedicated and experienced staff. PVA believes whether a position to be filled is the Deputy Secretary or benefits counselor, nurse, medical center director or any position, the veterans of this Nation deserve the highest caliber of individual to provide efficient and professional service. What veterans want in their new Department is greater accountability because accountability leads to better

service to veterans and that is the mission of the Department of Veterans Affairs.

Public Law 100-527, which established the new Department of Veterans Affairs allows for appointment of the Secretary as early as January 21, 1989, while the effective date for the Agency transformation is March 15, 1989. If confirmed, PVA encourageS the Secretary to assemble his team and make appointments as quickly and efficiently as possible, so as to avoid any disruption in service to veterans resulting from personnel changes.

With regard to the other appointments necessary to the new Department, PVA would like to place special emphasis on the importance of the roles of Chief Medical Director (CMD) and Chief Benefits Director (CBD). From PVA's perspective, these are the most essential and consequential operating positions within the VA. It is in these areas that service to the Nation's veterans is implemented. The ideology and policy objectives of these two individuals have direct impact on individual veterans across the country.

PVA believes that the formal nomination by the President with confirmation by the Senate for these positions will serve to provide more consumer input into the selection process and will provide a public forum by which PVA, and other organizations, can make their views known. P.L. 100-527 also formalized the establishment of a Search Committee to fill vacancies in the roles of CMD and CBD. We believe the members of the Search Committee should be named as soon as possible. PVA hopes as well that we will have the honor of being a part of the Search Committee process.

PVA is committed to working with the Bush Administration, the Secretary, and the Congress in identifying and supporting qualified, appropriate and dedicated individuals to serve the constituency which we collectively represent.

PVA submitted a document to President Bush's Transition team which delineated issues of paramount concern to our organization. The first issue listed in PVA's transition paper addressed the establishment of the new Department of Veterans Affairs. We stated the following:

> PVA strongly endorsed elevation of the VA to a Cabinet Department not only to recognize the lifetime of sacrifices made by those who served our country but more importantly to improve the management and efficiency of the Agency. The Department of Veterans Affairs is a National resource which is involved in health care, defense, and many aspects of our National economy. The Department of Veterans Affairs affects virtually every American family. The Agency has an annual operating budget of more than $27 billion and administers the largest health care system in the Free World. The Department of Veterans Affairs ranks second only to the Department of Defense in number of personnel and it administers one of the largest compensation and pension programs in the U.S. with payments of $14.3 billion in Fiscal Year 1987 alone.
>
> With these facts in mind, the selection of the first Secretary of Veterans Affairs is of critical importance as this individual will be the chief advocate for veterans. He will represent the interest of the Nation's veterans at the highest level of government. Therefore, the following criteria should be considered in the selection process.
>
> A. The Secretary for Veterans Affairs is to be a veteran who has demonstrated proficiency in management at a significant managerial or administrative level in government, industry, commerce, education and, or, the professions.
>
> B. Has demonstrated a recognicion, concern and commitment for the Nation's veterans and veterans affairs.
>
> C. Has the ability to represent the Agency before Congress, the Executive Branch and the Nation in an exemplary manner.

PVA believes these three criteria to be the most important requirements of the first Secretary of Veterans Affairs.

With respect to the third criterion, Mr. Derwinski most assuredly has the ability to represent the agency before Congress, the Executive Branch and the Nation in an exemplary manner. His years spent in Congress have garnered him the unique perspective of an insider regarding Congressional structure and function, as well as, gaining him the respect of his colleagues. Additionally, the elevation of the VA to a cabinet level department will ensure the Secretary's proximity to the President and the opportunity to involve the agency in shaping National Policy. We have no doubt that Mr. Derwinski has the commitment to do so as well.

PVA was very pleased when, within a week of being named as Secretary-nominee, Mr. Derwinski scheduled meetings with the President, the Vice President and the national veterans' leaders. At this meeting he indicated his desire to shape the Department so that accountability and service to veterans will greatly improve.

PVA believes that this meeting was a clear indication of the Secretary-nominee's intentions to work closely with veteran constituents. He also met promptly with leaders in Congress. We applaud his efforts and encourage the continuance of such representation. In view of these facts, PVA finds Mr. Derwinski exceptionally well qualified in his ability to represent the Nation's veterans.

To assess whether the Secretary-nominee has demonstrated a recognition, concern and commitment for the Nation's veterans and veterans affairs, the second criterion, we sought the advice of our Chicago and Illinois members who were congressional constituents of Mr. Derwinski or had opportunity to interact with him during his elected career. The veterans of Illinois hail Mr. Derwinski as a responsive champion of individual veteran's causes. Throughout his congressional career he was a sensitive and thoughtful advocate on behalf of his veteran constituents. In the course of our research, we talked with PVA members whose individual cases were handled by Mr. Derwinski. There is no doubt that the Secretary-nominee has demonstrated a recognition, concern and commitment for the veterans of Illinois. His new role will afford him the opportunity to continue his record of excellence as chief advocate for the entire nation of veterans.

The first criterion, that the Secretary for Veterans Affairs is to be a veteran who has demonstrated proficiency in management at a significant managerial or administrative level in government industry, commerce, education and, or, the professions, is somewhat more difficult to assess in regard to Mr. Derwinski. Certainly as a former Member of Congress and more recently as Undersecretary for Security Assistance, Science and Technology, Department of State, the nominee has demonstrated proficiency at a significant administrative level in government. However, legislation, per se, and foreign affairs have little or no direct applicability to running the VA and we believe it would have been preferable if the nominee had more extensive experience in veterans' affairs. The management techniques and the budgetary constraints of the State Department and a Congressional office(s)

are vastly different from those of an agency such as the VA which is tasked with meeting the needs of a diverse population.

While we want to express concern regarding Mr. Derwinski's management experience relative to veterans' affairs, we believe his overall qualifications and demonstrated commitment to veterans are worthy of the endorsement of PVA.

In our preliminary meetings with the Secretary-nominee, he already indicated that he desired a direct and active approach to running the Department. He articulated a managerial philosophy which would provide his subordinates with both the authority and the responsibility to make decisions and alleviate seemingly endless vacilations which currently plague the VA. He also demonstrated an openness and willingness to listen to concerns of veterans. Both approaches are certainly commendable attributes as the new Secretary will be confronted immediately with numerous challenges.

PVA looks forward to working with Mr. Derwinski, if confirmed as Secretary of Veterans Affairs. We believe that Mr. Derwinski possesses the attributes and qualifications to be an aggressive advocate for veterans, the Department and its employees. We believe he will be effective and responsive not only to the President, but to the Congress and to the constituency he is charged to represent. PVA will be happy to work in concert with him and his staff as we all must collectively address the many hard decisions which must be made in the coming months ahead.

Mr. Chairman and Members of the Committee, this concludes my remarks and I will be happy to respond to any questions the Committee may have.

Vietnam Veterans of America, Inc.
2001 S St. NW
Suite 700
Washington, DC 20009-1125

(202) 332-2700

Statement of

VIETNAM VETERANS OF AMERICA, INC.

Submitted By

MARY R. STOUT,
NATIONAL PRESIDENT

Before the

SENATE VETERANS AFFAIRS COMMITTEE

On

Confirmation of Edward Derwinski as
Secretary of the Department
of Veterans Affairs

February 6, 1989

Mr. Chairman and members of the Committee, the Vietnam Veterans of America, Inc. (VVA) appreciates this opportunity to present its comments on the nomination of Edward Derwinski to serve as the very first Secretary of the new Cabinet level Department of Veterans Affairs (DVA). At the outset we hope to make it clear that the VVA has no position to express regarding Secretary-designate Derwinski's qualifications for the position. Instead we have several concerns to register with the committee as it proceeds with its own deliberations on this subject. Naturally, we hope that the Secretary designate will be sensitive to these concerns.

There are essentially two schools of thought regarding the most desirable background for a Secretary of Veterans Affairs. The first of these holds that someone with broad experience in veterans affairs and a favorable track record with the veterans community is the most desirable. Accordingly, a Secretary with this background is best equipped to manage, and as necessary reform, the agency with a minimum of delay resulting from a need to learn the agency's operations. Under these circumstances, such a candidate would join the agency knowing in advance where all of the closets containing whatever skeletons are located.

As for the community of veterans service organizations, a candidate with a background in veterans affairs would already know the principal decision-makers and players. This might be

viewed as obviating the need to spend valuable time gaining the trust and respect of those organizations whose strengths are formidable especially when it comes to blocking policies deemed undesirable.

The other school of thought holds out many of the assets in the first scenario as liabilities. As such, someone without a background in veterans affairs would be better equipped to take an objective look at the agency and how well its resources are targeted for the purpose of fulfilling its mission. Similarly, such a candidate would come to the VA unbeholding to the veterans' community's institutional interests whose inertia has made the VA's responsiveness to a changing and more complex environment for veterans difficult.

Whether Secretary-designate Derwinski will fall into either or some combination of both of these schools of thought remains to be seen but if nothing else is clear, the need for a strong and effective management team at the VA is a given in our view.

The first VA Secretary will play a key role for the agency whether or not that individual's policies are successful. This is because the tone set for the agency as it undergoes the transition from an independent agency to a Cabinet Department will have lasting effects (perhaps

consequences) on the VA long into the future. The practices of officials in the DVA that will be explained in the future as being consistent with "the way we have always done things" will be set by the management style and tone of the Secretary who ushers the agency through its initial transition to full Cabinet rank.

An additional reason why strong and effective management will be needed advances from the fact that scarce federal resources will require difficult and predictably unpopular policy choices. For example, the VA's Department of Medicine and Surgery is operating with a resource shortfall of between $600 million and $1 billion for the current fiscal year alone. This is because what was said to be needed by the outgoing Administrator in order to provide a current services budget has proven to be misleading as that VA management team preoccupied itself with reducing VA spending at any cost.

We look hopefully forward to a new VA management team that will look realistically at what the agency can and cannot accomplish with the resources it has available. We expect that supplemental appropriations will be added this year, but those added resources cannot be expected to completely make up the shortfall. That being so, choices must be made and an evaluation of the agency's primary mission must be undertaken.

In this connection, it is critically important that veterans with disabilities directly attributable to military service be assured of prompt and high quality care on a priority basis. Putting in place such a mechanism may be unpopular with the hospital teaching affiliations as well as with some of the other veterans service organizations whose concerns have lately focused almost exclusively on the plight of the aging veteran. Importantly, this is not to say that the population of aging veterans should be ignored. Instead it must be insisted that the VA's first obligation is to service disabled veterans. The overarching problem with the policy decisions that redirect limited available resources to veterans with the most legitimate claim on the agency is that the VA simply cannot be all things to all veterans. Were it otherwise, the health budget might be double the $10 billion already allocated.

With this in mind, it is hoped that the Secretary - designate will closely examine the relationships between the VA and the teaching affiliations as well as the private sector with a view toward how veterans have been and can be affected, both adversely and beneficially.

On the subject of veterans benefits, confidence in the fairness of adjudications of claims at the Board of Veterans Appeals (BVA) has been seriously tarnished by well publicized

practices that place greater emphasis on production than on the merits of individual claims. Some of these practices have been discontinued and others have not, but a close examination of the BVA's practices and management will be necessary if the nations's veterans are to restore their trust in the agency's decision-making integrity.

Similarly, the agency has ignored current economic realities by allowing the home loan program to operate seemingly on "automatic pilot" while foreclosure rates have skyrocketed. Currently, this particular program is taxing the will of Congress to continue appropriating ever larger sums in order to keep it solvent. The shortfall in this program is in part a result of the previous Administration's short-sighted policy of selling off the loan guaranty program's income generating portfolio of home loans. As with health care and the BVA, examination of this program's operations and management is long overdue.

Apart from the long festering yet largely unattended problems besetting the VA, new challenges must also be addressed in a meaningful way. The \merican Legion/Columbia University study and the VA's own Research Triangle Institute study have found the incidence of Post Traumatic Stress Disorder to be far more prevalent among veterans, particularly combat veterans, than previously expected. If there is a

genuine commitment to servicing disabilities associated with military service, meaningful resources must be directed toward easing this problem.

Mr. Chairman, we have aimed our comments in this testimony not at the relative qualifications of the Secretary-designate, but instead at the management issues that must be addressed. We have done so because the key issues in veterans affairs are matters that can no longer be either ignored or placed on the "back burner". These issues must be decided soon. The specific identity of the individual deciding these issues is far less important than the need for decisions to be made.

In the event that Mr. Derwinski is confirmed, and we fully expect confirmation, we will look forward to working with him as closely as he will permit. In this connection, we sincerely hope that he will permit us access to a far greater extent than his predecessor whose policies of exlusion have contributed nothing to enhancing meaningful dialogue, legitimate debate or compromise.

Mr. Chairman, that concludes our statement.

STATEMENT OF SENATOR FRANK H. MURKOWSKI (R-AK) UPON THE COMMITTEE VOTE ON THE NOMINATION OF EDWARD J. DERWINSKI TO BE THE SECRETARY OF VETERANS AFFAIRS

Good afternoon. The Senate Committee on Veterans' Affairs held its hearing yesterday concerning the nomination of Ed Derwinski to become the first Secretary of Veterans Affairs. At the hearing the Members addressed Ed's experience, personal philosophy, and leadership skills. I believe that Ed clearly demonstrated that he has all of the qualities he must possess in order to assume this highly responsible position.

His distinguished career history speaks for itself. Ed is a World War II veteran who has gone on to serve for 24 years in the U.S. House of Representatives and 8 years at the State Department. He is a man of integrity and principle, who willingly cooperated with this Committee to ensure that we had the necessary information to fulfill our responsibilities regarding his nomination.

The Committee also looked very carefully into the allegations made concerning his involvement in the 1977 "Koreagate" incident and his purported relationships with persons considered to be anti-semitic and anti-democratic. I would like to state that I fully support Ed for this historic nomination.

I WANT TO THANK ED FOR HIS PATIENCE AND COOPERATION DURING THE ENTIRE CONFIRMATION PROCESS. FOR THE PAST TWO MONTHS, HE ANSWERED QUESTIONS AND WITHSTOOD PUBLIC SCRUTINY WHICH, AT TIMES, MUST HAVE BEEN DIFFICULT AND TRYING FOR HIM.

I WOULD ALSO LIKE TO THANK THE DISTINGUISHED CHAIRMAN AND THE COMMITTEE MEMBERS FOR THEIR THOUGHTFUL ATTENTION AND DEDICATION DURING THE PERIOD LEADING UP TO THE CONFIRMATION HEARING AND DURING THE HEARING ITSELF.

I LOOK FORWARD TO WORKING WITH ED AS THE SECRETARY OF VETERANS AFFAIRS. I URGE MY COLLEAGUES TO VOTE UNANIMOUSLY IN FAVOR OF CONFIRMING HIM.

THANK YOU.

BEN BLAZ
GUAM
COMMITTEE ON ARMED SERVICES
SUBCOMMITTEES:
MILITARY INSTALLATIONS AND FACILITIES
PROCUREMENT AND MILITARY NUCLEAR SYSTEMS
DEFENSE POLICY PANEL
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
SUBCOMMITTEES:
INSULAR AND INTERNATIONAL AFFAIRS
ENERGY AND THE ENVIRONMENT
NATIONAL PARKS AND PUBLIC LANDS
COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEES:
ASIAN AND PACIFIC AFFAIRS
AFRICA
SELECT COMMITTEE ON AGING
SUBCOMMITTEES:
HEALTH AND LONG-TERM CARE
HUMAN SERVICES

Congress of the United States
House of Representatives
Washington, DC 20515

WASHINGTON OFFICE:
1130 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-1188

GUAM OFFICES:
SUITE 117, AGANA SHOPPING CENTER
302 SOUTH ROUTE 4
AGANA, GU 96910
(671) 472-8700, 8800

SOUTHERN DISTRICT OFFICE
ROUTE TWO
AGAT, GU 96928
(671) 565-6040

NORTHERN DISTRICT OFFICE
128 IGLESIAS CIRCLE
DEDEDO, GU 96912
(671) 632-6040

February 1, 1989

The Honorable Alan Cranston
Chairman
Senate Committee on Veterans' Affairs
SR-414 Russell Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

I am writing in support of the nomination of the Honorable Edward J. Derwinski for Secretary of the Department of Veterans Affairs.

Before my election to Congress, I served almost 10 years as a career officer in the U. S. Marine Corps. During those years I spent a considerable amount of time dealing with veterans, especially those who were casualties from the Korean and Vietnam Wars. My various assignments also involve a wide variety of veteran issues and I have known personally the past three Veterans Administrators.

On the basis of these facts and observations, I believe that I am qualified to make a judgement on the question of qualifications for the Cabinet position in question.

During the five years that I have known and worked with Ed Derwinski, I have found him to be particularly analytical, astute and a caring individual with a visionary approach to issues. His range of interest and experience, administratively and legislatively, makes him uniquely qualified to establish a new department and to make it work as quickly as possible.

Mr. Chairman, as a veteran, a retired general officer and a Member of the House Armed Services Committee, I strongly urge favorable consideration of Ed Derwinski's nomination and I request that this letter be made a part of the Record.

Sincerely,

BEN BLAZ
Member of Congress

AMI

The National Alliance For The Mentally Ill

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TESTIMONY

of

WILLIAM W. SNAVELY

on behalf of

THE NATIONAL ALLIANCE FOR THE MENTALLY ILL

before the

VETERANS' AFFAIRS COMMITTEE

UNITED STATES SENATE

February 6, 1989

2101 Wilson Boulevard, Suite 302 • Arlington, VA 22201 • (703) 524-7600

WRITTEN TESTIMONY OF WILLIAM W. SNAVELY ON BEHALF OF THE NATIONAL ALLIANCE FOR THE MENTALLY ILL, SUBMITTED TO THE VETERANS' AFFAIRS COMMITTEE OF THE U.S. SENATE UPON THE OCCASION OF THE CONFIRMATION HEARINGS OF EDWARD J. DERWINSKI AS SECRETARY OF VETERANS' AFFAIRS, FEBRUARY 6, 1989

Dear Mr. Chairman and Members of the Committee:

I appreciate the opportunity you have extended to me to state, on behalf of the National Alliance for the Mentally Ill, our support of Edward J. Derwinski as Secretary of Veterans' Affairs. The Alliance is an organization of 70,000 members, consisting primarily of families of individuals with mental illness. Included within our membership are numerous veterans of the Armed Forces. We applaud the decision of Congress to elevate the head of the Department of Veterans' Affairs to a Cabinet-level position. We believe that this action demonstrates recognition by the Congress of the vitally important role played by the Department in providing services to disabled American veterans and retirees.

The Department of Veterans' Affairs is the single largest provider of integrated health care services in the United States. In 1988, 199,018 patients diagnosed as seriously mentally ill were discharged from its Medical Centers. 716,303 individuals with serious mental illnesses were seen as outpatients. This large number unfortunately illustrates the prevalence of serious mental illnesses among veterans and their dependents. Individuals with mental illness who are eligible for veterans benefits receive inpatient psychiatric treatment and outpatient treatment and counseling. additionally, some individuals may receive vocational rehabilitation, case management, and residential services.

The Department has developed some pilot programs aimed at providing comprehensive, innovative rehabilitation services to veterans who are mentally ill. For example, the Homeless Mentally Ill National Initiative is a program designed to provide comprehensive services to homeless veterans who are mentally ill. This project, which currently exists on a demonstration basis at 43 sites, provides services such as medical and psychiatric evaluations, case management services, vocational training, and placement in community-based residential treatment settings. However, for each veteran who is being served in a program such as this, there are many who remain homeless without shelter or opportunities at rehabilitation. For each veteran who is receiving inpatient or outpatient treatment, there are many who lack such services because of long waiting lists or simply lack of suitable facilities or treatment programs accessible to their communities.

Many veterans discharged from the Armed Services because of

serious mental illnesses face the frustration of trying to obtain veterans benefits. Often, for reasons such as unclear initial diagnoses or uncertainty as to when the disability first occurred, these individuals will have difficulties in establishing that their disabilities are in fact service connected, a necessary pre-requisite for eligibility. Additionally, the process of applying for benefits can be complex and time consuming. It is not uncommon for several years to pass between the time of discharge and the final benefits determination. In the interim, individuals will often receive no services at all. At such times, they may not have alternate treatment available to them, because insurance companies are loathe to provide coverage for pre-existing conditions. These people are truly in a "catch 22" type of dilemma. They joined the Armed Services desiring to serve the nation. They were unable to continue their service because of the onset of their mental illness'. Nevertheless, they encounter difficulties in trying to obtain benefits so that they can receive treatment and hopefully once again become contributing members of society.

Our intent in raising this issue is not to denigrate the Department of Veterans' Affairs. The bureaucratic complexities inherent in operating a system designed to serve large numbers of persons are certainly not unique to the Department. Our intent rather is to sensitize Mr. Derwinski to the problems faced by mentally ill veterans and their families in circumventing this complex system. The National Alliance for the Mentally Ill is hopeful that the Department of Veterans' Affairs, under the able leadership of Mr. Derwinski, will be able to devise a fairer, more streamlined system of determining eligibility for benefits.

Finally, it is our belief that the Department of Veterans' Affairs can play a major role in research on causes and treatments for mental illness. Recently, there have been significant breakthroughs in discovering the biological basis for many of the major mental illnesses as well as the effects of environmental factors on the course of these diseases. The National Alliance for the Mentally Ill believes that a continuation of these research efforts represents the best hope for identifying effective means of treating and perhaps even eventually preventing the onset of serious mental illnesses. Moreover, research breakthroughs can result in significant savings in reduced medical costs and increased productivity for those who benefit from those breakthroughs. For example, it is estimated that the discovery of lithium as an effective means of treating Bi-Polar Disorders (Manic-Depressive illness') resulted in a savings of about $4 billion in the decade following its discovery.

The Department of Veterans' Affairs has both the resources and the available talent to play an important role in facilitating and implementing research efforts. There are

several compelling reasons why it is in the interest of the Department to do so.

First, the onset of the serious mental illness' (i.e. Schizophrenia, Bi-Polar Disorder, and Major Depression) typically occurs in the late teens or early twenties. This is precisely the age at which most people begin their service in the Armed Forces. Many of the young persons stricken with mental illness were capable, hardworking, and intelligent achievers prior to onset. The prevalence of mental illness in this age group significantly reduces the pool of qualified candidates for military service. It is consequently important for the Department of Veterans' Affairs to join in efforts to combat these devastating illnesses.

Second, breakthroughs in treating mental illness' will result in long-term savings for the Agency with respect to treatment and rehabilitative expenditures.

In closing, we restate our support of the choice of Mr. Derwinski as the leader of the new Department of Veterans Affairs. As a giant provider of health care services, the Department is in a unique position to provide comprehensive, rehabilitative services to its veterans who are disabled. It is the only large health care provider with the capacity to provide continuous, integrated care at inpatient and outpatient levels. We look hopefully to the Department to be a leader as a provider of services to veterans with mental illness and as a center of research towards alleviating the devastating effects of mental illness' on those stricken with them. We stand ready to assist in any way that we can as a resource, source of information, and as an advocate for those served by the Department of Veterans Affairs.

Thank you for your time and your kind attention.

Sincerely,

William W. Snevely, President
National Alliance for the Mentally Ill

Office of the Administrator
of Veterans Affairs
Washington, D.C. 20420

January 30, 1989

Honorable Alan Cranston
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Alan:

Enclosed please find my responses to the pre-confirmation hearing questions forwarded with your letter of January 18, 1989.

Sincerely yours,

EDWARD J. DERWINSKI
Secretary-Designate

Enclosures

QUESTION 1

Section 220 of title 38 requires the Secretary to seek to achieve maximum feasible effectiveness, coordination, and inter-relationship of services among all Federal programs and activities affecting veterans and to promote actively the effective consideration, emphasis, or preference for veterans.

A. How would you carry out this responsibility, especially with respect to establishing an institutional capacity in the VA to monitor these other programs so as to give you a realistic opportunity to promote their effectiveness?

B. Specifically, would you affirmatively undertake under section 220 to be alert to and involved in the formulation of all Federal governmental policy that would or might directly affect VA programs or veterans and their dependents?

C. (i) Have the President, and those to be nominated to be Director of the Office of Management and Budget, Secretary of Labor, Secretary of Health and Human Services, Secretary of Education, and other agency or department heads provided you with assurances that they would include you at a very early stage in the formulation of any such policies that are within their jurisdictions?

(ii) [If not] Are you seeking such assurances?

(iii) [If they have] Please describe the form and nature of the assurances that you have received.

(iv) [If you are seeking such assurance] Please advise me of the form and nature of any such assurances received.

D. Do you anticipate carrying out yout responsibilities under section 220 in Cabinet-level meetings and other Cabinet activities?

ANSWER:

A. I realize the importance of working closely with the various Federal departments and agencies that affect this Nation's veterans.

B. One of the positive aspects of our new departmental status is the ability to communicate on a regular basis with the other Cabinet secretaries. I fully intend to be the advocate of veterans on the Cabinet and will be an active participant in the formulation of Government policy that affects this Nation's veterans and their dependents.

C. The President has emphasized the importance of working together in carrying out our various responsibilities. He has stressed the concept of teamwork not only within the various elements of the Executive branch but also the importance of working closely with the Congress. Since five other members of the Cabinet are former members of Congress, individually and collectively we will insure that good relations exist between the Legislative and Executive Branches. I intend to take full advantage of my experience on the Hill to further the cause of this Nation's veterans. Furthermore, I will serve on the Domestic Policy Council. I believe, therefore, that I will have no problem working within the Executive Branch or with the Congress.

D. Yes.

QUESTION 2

A. What role do you anticipate playing in selecting the nominees for Deputy Secretary and other Presidential appointees in the Department?

B. What will be the specific responsibilities of the Deputy Secretary if you are confirmed as Secretary?

ANSWER:

A. As you know, the Deputy Secretary will be the

Honorable Anthony Principi.

B. The Deputy and I will work closely together as a team to maximize our managerial expertise to the benefit of the Department and our Nation's veterans.

QUESTION 3

What are your plans for reorganizing the Secretary's office (including the number of Assistant Secretaries and their responsibilities or functions)?

ANSWER:

I have not finalized any decision with respect to the organization of the Secretary's office.

I have asked the Acting Administrator to conduct a full and thorough review of the various options for the future organizational structure of the Department. Recognizing the intent of Congress to limit the number of Schedule C and non-career SES appointments in the new Department of Veterans Affairs, I intend to use skilled careerists to round out my management team.

QUESTION 4

A. The FY 1990 Reagan Budget describes a proposed reorganization plan for eliminating the Office of Program Analysis and Evaluation. Have you reviewed the proposal for this reorganization and, if so, have you reached any conclusions as to its merits?

B. At this time, are you planning or contemplating any other reorganization of the VA other than those to implement Public Law 100-527?

ANSWER:

A. I will consider the proposal in the context of my review of the current organizational structure of the entire Agency.

B. I have no specific plans at the present time with respect to any major reorganization of the VA other than that required by the new cabinet legislation. It is important, however, that we have an efficient organization. If I believe that additional changes within the organization are needed, I will take appropriate steps to implement them and will consult with the Congress, conforming with any statutory requirements.

QUESTION 5

During the past several years, the VA has taken several steps to address the needs and concerns of women veterans.

A. Generally, what is your understanding of the VA's current capabilities and programs for meeting the needs of women veterans?

B. What are your plans for having a Special Assistant to you for Women Veterans, a position first established by Harry Walters?

C. Do you intend to work closely with, and give prompt and serious consideration to the recommendations of, the Advisory Committee on Women Veterans established by section 222 of title 38, United States Code?

D. Can you point to any actions you have taken in your positions in the State Department and your service in Congress to provide opportunities for

(i) women,

(ii) minorities, including disabled veterans and other disabled persons, and

(iii) Vietnam-era veterans?

ANSWER:

A. It's an area that I will carefully review after my confirmation, including consultation with representatives of women veterans.

B. I have been advised that there is at the present time in the Office of the Administrator a Special Assistant for Women Veterans. While I haven't reached a final decision on retaining this position, or whether to assign the functions to one of the new Assistant Secretaries, I intend to ensure continuing attention to women veterans issues.

C. Yes, I intend to give careful consideration to all of their recommendations.

D. During my 30 years of public service I have always tried to be sensitive to the needs and concerns of the individuals addressed in your question. I believe my record speaks for itself.

QUESTION 6

Do you intend to work closely with, and give prompt and serious consideration to the recommendations of, the Advisory Committee on Former Prisoners of War, established by section 221 of title 38, United States Code, and the Advisory Committee on Native American Veterans, established by section 19032 of Public Law 99-272?

ANSWER:

Yes, I intend to give full consideration to the recommendations of these and other statutorily established advisory committees. I believe my experience at the State Department in dealing with these issues will also be helpful.

QUESTION 7

I have always believed that the head of the VA had a special responsibility to be an advocate for veterans within the Executive Branch. In this regard, I recall a January 29, 1986, letter to me from former Administrator Harry Walters in which he noted "Without advocates in the Administration and the Congress, those benefits our veterans, their widows, and orphans have earned will ultimately be lost. Veterans are special and must be treated with dignity, compassion, and respect."

A. What, are your thoughts on this characterization of the Secretary's role and of veterans?

B. Do you intend to be an advocate for veterans at all levels of the Bush Administration?

ANSWER:

A. As I have stated on several occasions, I fully intend to be an advocate for this Nation's veterans and look forward to the opportunity to participate fully in Cabinet meetings, and otherwise, to assure that the commitment this Nation has made to our veterans and their dependents are fulfilled.

B. Yes, this is a major responsibility.

QUESTION 8

Do you believe that the faithfulness with which the Federal government keeps its commitments to veterans through the maintenance of high quality programs of veterans benefits and services has an impact on the attitudes of our Nation's young men and women toward service in the Armed Forces?

ANSWER:

Yes. While each person has their own set of values which guide their life choices, the provision of veterans benefits certainly reinforces the gratitude of this Nation for the service these young people have given to their country.

QUESTION 9

It is my very strong belief that the cost of veterans benefits is a continuing cost of providing for our Nation's defense. What are your thoughts on the relationship between defense spending and our national security, on the one hand, and the costs of veterans benefits, on the other?

ANSWER:

The mission of the VA is to meet the readjustment and medical needs of those men and women who served their country in uniform. Therefore, there is a link between the maintenance of our national security and the providing of veterans benefits. The upgrading of the VA to Department status is further evidence of the importance placed upon veterans, and veterans benefits, by the people of this Nation.

QUESTION 10

A. What plans do you have for establishing and maintaining relationships with veterans organizations, especially in terms of keeping these organizations regularly advised regarding significant developments within the VA and affecting the VA?

B. Do you plan to seek the advice and counsel of these organizations on major issues?

C. (i) Do you plan to have regular periodic meetings with veterans organization representatives?

(ii) [If so] With what frequency?

ANSWER:

A. I consider the role the veterans service organizations play as essential to the well being of this Nation's veteran. I plan to maintain a close relationship with them as we make decisions on the major issues that will confront the new department.

B. Yes, and I have already started the procedure.

C. Absolutely, as often as needed.

QUESTION 11

In October 1985, then-Administrator Walters was forbidden by the Administration to appear at a House Committee on Veterans Affairs hearing on the potential impact of the Gramm-Rudman legislation -- as it was then pending before the Congress -- on VA programs.

A. Do you have assurance that neither the President nor any other Administration official will prevent your appearing before a Congressional Committee which specifically requests your presence at a hearing?

B. [If not] Will you seek such assurances?

C. [If yes] Please describe the nature of the assurances and state who provided them.

D. [If you are seeking them] Please advise me of the nature and source of any such assurances you receive.

ANSWER:

President Bush has made it clear that this Administration intends to work closely with the Congress. As I indicated previously, the fact that I, and a number of other members of the Cabinet, have had previous Congressional experience gives us insight as to the desirability and necessity for close working relationships with the Hill.

QUESTION 12

What are your views on the relationship between the Secretary of Veterans Affairs and the VA's Chief Medical Director (CMD) with particular reference to decisions about the day-to-day management of the VA's health-care system?

ANSWER:

Shortly after my nomination I met with the Chief Medical Director, and made it clear that I expect him to be responsible for the day-to-day management and operation of the VA health care system. There will be close communication between the CMD, the Deputy Secretary and me. I will be actively involved with all issues that require my knowledge, input or decision.

QUESTION 13

A. To whom, if anyone, do you believe the VA is obligated to provide health care?

B. How do you view the VA health-care system's relationship to the overall U.S. health care system?

ANSWER:

A. It is the responsibility of the VA to fulfill the mission that has been assigned to us by the laws enacted by the Congress and approved by the President. I intend to assure that all statutory commitments or responsibilities with respect to health care are met.

B. It is essential that the VA health care system be in the forefront of health care in this Nation. That means that we must continue to give quality health care and be a leader in health care research. I view the VA health care system as an essential part of the overall U.S. health care system.

QUESTION 14

Based upon your current knowledge of the VA health-care system, what do you believe are the three most pressing issues and what strategies do you intend to consider to address these matters?

ANSWER:

In my discussions with the Chief Medical Director he has indicated his belief that the three most pressing issues facing the health care system are (1) the system's ability to fulfill its mission and face new demands such as caring for an aging population, within limited resources, (2) maintainance of high quality health care and (3) the recruitment and retention of a high quality health care professional staff.

I have no reason at this point to disagree. I have not, however, had the opportunity to develop any detailed strategy for dealing with these issues and will be working with the Chief Medical Director, as well as consulting with the National Veterans Service Organizations, and with the Congress, to assure that they are appropriately addressed.

QUESTION 15

In addition to its primary mission of furnishing quality health-care services to eligible veterans, the VA medical program has three other principal missions: Carrying out a program of medical research; developing and carrying out a program of education and training of health-care personnel; and serving as a backup to the Department of Defense health-care system in time of war or national emergency. What are your views on the relative importance of each of these missions to the VA and to the Nation as a whole and how do you plan to support each of these missions?

ANSWER:

I have not had the opportunity to form any definitive opinion regarding the relative importance of each of these missions. I look forward to obtaining a better understanding of the merits of each and the manner in which they should be supported. I have discussed this issue with the new Deputy Secretary designate and would anticipate his involvement in the indepth evaluations of this topic which must take place.

QUESTION 16

One of the most significant problems confronting the VA medical program is the shortage of registered nurses and other health-care professionals, a problem which also is facing many other health-care institutions across the country. How do you anticipate working with and supporting the CMD in his ongoing efforts to address this problem?

ANSWER:

I recognize that both the VA and the Nation as a whole face a shortage in certain health care occupations, such as registered nurses. I intend to aggressively address this problem and its solution.

QUESTION 17

As you know, Public Law 100-687 established a new United States Court of Veterans Appeals and provides for judicial review of final decisions of the Board of Veterans Appeals. The VA is to be represented before the Court by its General Counsel.

A. Do you have any plans for how this function will be carried out by the General Counsel (for example, do you foresee a unit of the General Counsel's office being located at the same location as the new Court)?

B. What additional resources do you believe the Office of General Counsel will need to carry out this function in FY 1989 (and FY 1990 in excess of those requested) and do you intend to seek Administration support for the addition of these resources for each fiscal year?

C.(i) What additional resources do you believe the Board of Veterans Appeals (BVA) will need to carry out its mission in light of this new law in FYs 1989 and 1990, and do you intend to seek Administration support for the addition of these resources?

(ii) Do you accept the projection in the FY 1990 budget that BVA will take an average of 58 days longer (from 130 to 188) per case than in FY 1987?

ANSWER:

A. It is my understanding that the General Counsel is still exploring the available options.

B. The resource demands of the new law are apparently still somewhat unclear.

C. (i). If it is ultimately determined that additional resources are necessary, I will ask for them.

C. (ii). I hope that projection proves incorrect. I intend to insist that the Board make every effort to minimize processing times without sacrificing the quality of analysis or presentation of its decisions.

QUESTION 18

In light of the fact that you were a member of the Congress at the time of the enactment of the Inspector General Act of 1978 which established the VA's Inspector General, among others, what is your view of the role of the VA's IG and particularly the IG's relationships with the Secretary and with the Congress?

ANSWER:

I did vote for the passage of the Inspector General Act, and I still strongly support the purposes of that Act.

The Act gives the IG the authority to conduct and supervise audits and investigations related to the programs and designed to promote economy, efficiency, and effectiveness in DVA administration, to prevent and detect fraud and abuse, and to keep the DVA Secretary and Congress fully and currently informed of problems and deficiencies.

I believe, as the Act specifically states, that the IG should only report to and be under the general supervision of the Secretary; but not even the Secretary should prevent or prohibit the IG from initiating, conducting or completing an audit or investigation, or from issuing subpoenas in connection with the same.

FOLLOWUP ANSWER TO QUESTION 18

In addition to the views expressed in my previous answer I want to again assure you of my support for the independence of the IG in reaching conclusions or making recommendations relating to matters he or she is reviewing or investigating. Furthermore, I will encourage the free exchange of those views or recommendations with the Congress. While the IG's Office is a part of the executive branch, I believe that should not interfer with the Inspector General's responsibility to keep Congress apprised of his activities.

QUESTION 19

I know you can appreciate how important it is for the Committee to receive desired information from the VA -- for example, VA testimony, responses to Committee questions, and reports mandated by law -- on a timely basis. Will you endeavor to see that the VA furnishes such material in a timely fashion by, for example, charging a particular agency official with this responsibility?

ANSWER:

We will do everything within our power to see that requested material or information is furnished in as timely a manner as feasible. I have not made any definitive decision on how this responsibility should be tasked, but this will be a major issue as we reorganize.

QUESTION 20

As you know, on December 1, I wrote to CMD Gronvall to express my deep concern over reports that VA alcohol treatment programs were closing. I gave you a copy of this letter in our January 4 meeting. In a January 6 letter, Dr. Gronvall confirmed my information with respect to some specific programs and noted that "[a]s our medical centers consider ways to continue providing quality care for mandatory workload within available funding, one alternative that must be considered is reducing discretionary care, such as that provided in alcohol and drug treatment programs." As I noted to Dr. Gronvall in my letter, I find it extremely ironic that, in the wake of the signing of the Anti-Drug Abuse Act of 1988, Public Law 100-690 -- probably the most sweeping anti-substance abuse laws ever enacted -- the VA is shrinking from its responsibility to help veterans with chemical dependencies. This irony is compounded by the statement in Major Policy Initiatives, FY 1990, one of the documents submitted with President Reagan's budget which describes the Administration's proposed drug initiatives, noting that "The Department of Veterans Affairs will maintain treatment programs for veterans suffering from drug dependence." Please comment on this apparent contradiction between current VA efforts and this statement of national policy in the President's budget submission and the emphasis you intend to place on VA activity to combat substance abuse.

ANSWER:

I have been advised that Congress did not provide any funding to implement the new Anti-Drug Abuse Act. The Chief Medical Director has advised me that VA medical centers are making programmatic adjustments in FY 1989 to operate within available funds and to continue meeting the medical needs of veterans whose care is mandated by statute. We will also fully cooperate with the new Director of National Drug Control Policy, William J. Bennett, as he develops his area of responsibility. Any further direction from Congress will be welcomed.

REVISED ANSWER

I have been advised that Congress did not provide any funding to implement the new Anti-Drug Abuse Act. The Chief Medical Director has advised me that VA medical centers are making programmatic adjustments in FY 1989 to operate within available funds and to continue meeting the medical needs of veterans whose care is mandated by statute. If the Agency receives a supplemental for FY 1989, the Chief Medical Director has assured me that funding for substance abuse programs will receive special priority for restoration of funds. This is consistent with the Agency's commitment to maintaining a significant program to treat veterans suffering from substance abuse. We will also fully cooperate with the new Director of National Drug Control Policy, William J. Bennett, as he develops his area of responsibility. Any further direction from Congress will be welcomed.

QUESTION 21

In the past, the Congress has seen many instances of OMB cutting the funding which the VA believed was needed and which it had requested for various programs. Recently, we also have seen OMB refuse to approve VA requests for urgent supplemental appropriations despite the well-documented need for them; the recent FY 1989 supplemental request for $432 million for the medical care account is only the most recent example.

As the first Secretary of Veterans Affairs, what special efforts would you make to ensure that the OMB approves such funding requests and, if it does not, directly to seek such approval from President Bush?

ANSWER:

As I indicated earlier, I intend to be an advocate for this Nation's veterans and will pursue with diligence those resources which are essential to our mission. We are in a period where the resources available to meet the needs of the Nation as a whole are impacted by our pursuit of the deficit reduction targets. For that reason, we will not receive everything that we would desire. I believe, however, that the President will give us an opportunity to present our case in those situations where we may have some disagreement with others in the Executive Branch, and I intend to request such meeting with the President when necessary.

QUESTION 22

Do you believe that the Administration's proposed FY 1990 budget for the new Department of Veterans Affairs would adequately provide for timely provision of services and benefits to eligible veterans? If not, in what areas would you recommend increased funding?

ANSWER:

I have had some preliminary discussions with respect to the proposed FY 90 budget for the new Department of Veterans Affairs but haven't had the opportunity to fully evaluate all of the areas covered by it. Moreover, the entire budget is being re-evaluated. I believe, therefore, that it would be premature for me to give any definitive answer to this question at this time.

QUESTION 23

A December 23, 1988, editorial in the Chicago Sun-Times, entitled "Derwinski, Skinner -- Chicago scores!", said in reference to you:

As a congressman, he once said he never found a public agency that could not operate as well with 25 percent fewer employees -- provided the manager had a free hand to pick those to let go and to keep.

Is the quote from the Sun-Times article accurate?

B. If so, what did you mean by a "free hand"? Please identify the provisions of any current law or regulations you believe should be modified or repealed.

C. Over the past eight years, the Administration has proposed FTEE cuts in the VA's Department of Veterans Benefits (DVB) (to become the Veterans Benefits Administration (VBA) which have resulted -- despite partial Congressional restorations -- in a reduction of approximately 4000 FTEE in DVB staffing. During that time, the timeliness and quality of service to veterans, as measured by the VA's own guidelines, have declined significantly.

(i) Do you believe that the DVB could "operate as well" with a 25-percent FTEE cut?

(ii) In the FY 1990 budget, the Administration has proposed further FTEE cuts for VBA, this time in the amount of 327 FTEE. Do you support the VBA FTEE cut proposed in the Administration's FY 1990 budget?

D. During the Committee's September 1988 hearing on the adequacy of VA resources, VA field witnesses, including medical center directors, chiefs of staff, and chief nurses, testified that (a) adequate numbers of staff were not available to care for veteran-patients and (b) adequate funds were not available to support the Congressionally-mandated personnel ceiling of 194,140 FTEE. As of December 31, 1988, the Department of Medicine and Surgery employed 191,437 FTEE. Do you believe that medical program could "operate as well" with 25 percent fewer employees than it now has?

ANSWER:

A. The particular quote from the Chicago Sun Times was based on notes taken by a then young reporter who is presently on the editorial board of the publication. Evidently this statement was made by me in 1958 during a debate in my first campaign for Congress.

Certainly this broad statement would not at this time apply to the new Department of Veterans Affairs. I recognize the responsibility of rendering service to our veterans. Any arbitrary across the board personnel reductions would simply be unthinkable.

B. May I direct the Committee's attention to the fact that along with Representative Morris Udall, I was the co-author of the House version of Civil Service Reform in 1978. That Carter Administration initiative represents the basis of current laws and regulations enhancing the effectiveness of our career civil service employees.

C. My response to questions A & B apply equally to this question.

QUESTION 24

A. What steps will you take to ensure that DVB/VBA has sufficient resources -- which, given the VA's current inability to meet its own claims application-processing quality and timeliness standards, would clearly seem to mean more resources than it currently has -- to enable it to meet those standards?

B. The VA recently sought in vain to gain OMB approval for a $25 million supplemental for DVB/VBA. What are your views on the need for this supplemental?

C. Will you seek a FY 1989 supplemental for DVB/DVA and, if so, in what amount?

ANSWER:

I haven't had the opportunity to evaluate all aspects of the DVB program and the resource needs associated

therewith. If I determine that additional funds are needed I will seek them, with a full awareness that there are other competing demands and that some balancing of requests for available resources must take place, both by the Congress and by the President.

QUESTION 25

The VA home loan guaranty program was established in 1944 as a benefit program to help veterans who might not have developed the credit history needed to obtain a mortgage and thus achieve the American dream of home ownership. The loan guaranty program was largely self-sufficient for many years. However, in recent years economic downturns in certain areas of the country have resulted in high foreclosure rates, which, in turn, have created a need for large appropriations in order for the program to remain solvent.

Rather than request such appropriations when needed, however, the Administration instead often chose other means of raising money. For example, the VA has been required to sell its entire portfolio of vendee loans and, to increase its sales of new vendee loans, thereby depleting the VA's income-generating assets and thus depriving the Loan Guaranty Revolving Fund of its most significant long-term source of funding. Moreover, in FY 1988, the VA was required to abandon its guidelines restricting sales of its foreclosed properties by means of auctions and was, instead, required to auction a large number of properties which could have been sold at a higher price through real estate brokers. The forced auctions were required to generate short-term cash flow because the Administration would not ask for necessary supplemental appropriations. The Administration also has proposed increases (which the Congress has rejected) in the 1-percent fee veterans currently pay VA-guaranteed loans each year since the fee was enacted, this year proposing an increase to 3.8 percent for FY 1990.

A. Do you believe that the VA home loan guaranty program should be maintained as an entitlement program?

B. If so, do you believe that veterans should have to pay for the cost of the program through an increase in the 1-percent fee?

C. What steps will you take to ensure that the full amount of appropriations -- including supplemental appropriations -- needed to protect this program's solvency are timely submitted to the Congress?

D. What steps will you take to ensure that the VA is not forced to adopt measures -- such as the change in auction policy described above -- to increase short-term cash flow which many believe are not in the long-term financial, policy, or other interests of the program?

ANSWER:

A. Yes.

B. I need more time to review this issue.

C. We recognize the importance of timely submissions to Congress regarding appropriations. Our intention is to identify funding shortfalls as soon as possible and initiate such requests through the Office of Management and Budget as appropriate.

D. Timely submission of a supplemental appropriation request is important. However, we must carefully analyze options, such as asset sales that would preclude the need for appropriations if such courses of action are consistent with sound long term financial management.

QUESTION 26

VA regional office information retrieval systems in many cases consist of rooms of filing cabinets or outmoded computer systems. Do you believe that providing the full amount of funding needed to bring VA information management systems up to date must be one of the top priorities for the new Secretary and, if so, what efforts will you make to ensure that such funding is provided in a timely manner?

ANSWER:

I believe that an up-to-date management system is essential. I am advised that the Veterans Benefits Administration is engaged in a major initiative to modernize its ADP systems. I believe that streamlining the process helps veterans and the Government at the same time through improved accuracy, timeliness, and efficiency.

QUESTION 27

Directors at VA medical centers and regional offices generally believe that automated data processing (ADP systems such as the Decentralized Hospital Computer Program and the Loan Guaranty Program Operation Improvement Project offer significant improvements in the quality and timeliness of services to veterans but do not necessarily save personnel, a position OMB has steadfastly insisted upon. In fact, OMB imposes a "price" of staffing cuts -- whether or not justified by the facts -- on the VA in order to include in the President's budget any ADP enhancements. What are your views on this?

ANSWER:

I intend to take a close look at this issue to be sure all factors are being considered when staffing decisions are reached and budget requests are made .

QUESTION 28

A. How would you describe the management philosophy you would employ in discharging your duties as Secretary of Veterans Affairs?

B. The agency currently is conducting a Management Efficiency Pilot Program which is designed to remove administrative, regulatory, and legal constraints which may impede the local management of field stations and the administration of programs and services. What are your views on this type of program?

ANSWER:

A. I am aware that I am inheriting a solid core of dedicated professionals with rich experience and a deep sense of commitment to our mission. I intend to rely on them heavily. I further intend to provide new ideas and approaches with a goal of continued improvement in management techniques and program effectiveness. I am ultimately responsible for what we do, and how we do it but I realize the importance of a good team. Together, I am satisfied we can meet our responsibilities.

B. I have been briefed on this program and my initial reaction is that it is a progressive idea whose time has come because it gives field directors increased authority and responsibility for managing their facilities, and more timely and responsive service to veterans and their families. I am told that the VA has already observed better managed facilities which have in turn, resulted in increased effectiveness and efficiency, improved timeliness of services to veterans and their families, a broadening of the range of services provided, and at the same time, maintenance of high quality standards of service.

QUESTION 29

As you are aware, the VA is experiencing an FY 1989 budget shortfall in the medical care account -- of $432 million , according to Administrator Turnage or, according to the CMD, of $635 million. To make a bad situation far worse, over and above these funding needs the VA entered FY 1989 with an accumulated equipment backlog of $530.4 million -- a backlog which will grow to a staggering $713 million by the end of FY 1990 under the present Administration s budget request. Testifying under oath at the Committee s September 9, 1988, hearing about the adequacy of funds, nine VA field witnesses described the current fiscal state of affairs as a "crisis" and "the worst financial crunch" they had ever seen in VA health care. We were informed that a request for supplemental FY 1989 funding was submitted to OMB last September but was not approved. Indeed, it has not been approved to date. At the beginning of FY 1989, we began receiving reports that thousands of eligible veterans are being and will be denied care, that certain health-care programs are being closed or restricted, and that because of such cutbacks in services, some veterans are being transported long distances to receive care to which they are entitled. The CMD has informed us that this situation will become far worse beginning April 1 if a supplemental is not forthcoming.

A. In this type of situation, what actions would you have taken to ensure that a supplemental request was received by Congress?

B. What actions do you plan to take to ensure that the VA has adequate funds to furnish care to veteran-patients in the current fiscal year?

C. Specifically, will you raise with OMB Director-designate Darman and, if necessary, with President Bush the VA's urgent need for the medical care supplemental?

ANSWER:

A. It is only appropriate that I be given a little time to obtain a balanced evaluation of the current resource needs of the Department of Medicine and Surgery. I can assure you, however, that I will do everything possible to see that resources which are needed are obtained. On the other hand, I believe there is a proper procedure for accomplishing this and realize that the President and the Office of Management and Budget must make difficult budgetary decisions. They may not always be able to acceed to every request we make. Nevertheless, I intend to fight for our fairshare and if that requires going directly to the President I will do so. I intend to take a fast look at the need for a medical care supplemental in FY 89 and would anticipate being able to make a final judgment on that matter prior to the hearings by the appropriations committees.

B. See above.

C. I have already spoken to Mr. Darman and to the President.

QUESTION 30

Beginning in FY 1986 and continuing through each successive year including FY 1990, the Administration's budget for the VA's medical care account has automatically included a one-percent productivity increase which equates for FY 1990 to a flat $68.7 million and 1,962 FTEE reduction. What is your view of this budgetary strategy?

ANSWER:

I have not had the opportunity to fully review this particular issue. I believe, however, that recognizing true productivity as a factor would be appropriate assuming other funding requirements and increased workloads are recognized. I am particularly anxious to preserve strong incentives for the VA to accomplish additional productivity increases wherever possible and will be working closely with my Deputy in exploring ways to accomplish this.

QUESTION 31

Knowledgeable witnesses testified at the Committee's September 1988 hearing on the adequacy of VA resources that the VA's current fiscal problems have been building up over a period of years. Although in the few months preceding the hearing VA employees, including hospital directors, physicians, and nurses, were reporting to us that they did not have sufficient funds to furnish care to patients, the administrator persisted in saying that the VA health-care system had "all that was needed". It was not until the September hearing, that he finally conceded that the VA was experiencing a budget shortfall.

A. When, and under what circumstances, would you consider it appropriate to notify Congress of funding difficulties?

B. What measures will you take to ensure that future budget requests sent to Congress are reflective of true VA requirements?

ANSWER:

A. Because of my long experience as a member of Congress I realize the importance of openness and close communications with the Congress. When we have a problem, I understand the importance of working together to solve it.

B. I will do everything possible to see that the Veterans Administration is treated fairly in the budget process, and to insure that budget requests are reflective of VA requirements. As I mentioned previously, I have already spoken with Mr. Darman and the President. However, I am sure that we will not always receive all that we desire.

QUESTION 32

The Administration's budget includes a planned legislative initiative, which was dictated by OMB, to require so-called category B and C veterans to pay a $9.00 copayment for each day of inpatient care; a $5.00 and $10.00 copayment, respectively, for each outpatient visit; and a $3.00 and $5.00 copayment, respectively, per prescription. Additionally, the Administration plans to submit legislation to extend the VA's authority to require reimbursement from third parties for the treatment of veterans to cover the non-service-connected disabilities of insured veterans who have service-connected disabilities rated at 0-20 percent. Please indicate your views on these proposals.

ANSWER:

I'm still assessing these proposals in the overall context of the agency mission and the resources available. It should be kept in mind, however, that the entire Reagan budget and associated legislative proposals are being re-evaluated by President Bush.

QUESTION 33

During the Committee's September hearing on the adequacy of VA resources, VA field witnesses, including medical center directors, chiefs of staff, and chief nurses, testified that (a) adequate numbers of staff were not budgeted to care for veteran-patients and (b) the planned ratio of staff per patient was significantly less in the VA health-care system than the actual ratio found in the private sector. The FY 1990 Administration-proposed budget depicts a decrease of 7,946 FTEE in the medical care account in comparison to the Congressionally-authorized FY 1988 employment level. Because of a concurrent adjustment in patients treated, the overall VA staffing ratio is maintained and not improved.

A. Do you believe that the VA currently has, and will have under the budget request for FY 1990, adequate staff to provide quality health-care to veterans eligible for or entitled to care and likely to request it?

B. If not, what steps will you take to increase the budget in order to increase the numbers of health-care staff and to what level?

ANSWER:

A. The Chief Medical Director has advised me that we have adequate staff to care for veterans whose care is mandated by statute.

B. I intend to undertake a comprehensive review of the adequacy of funding for the VA health care program and if that review so indicates I will seek additional funding.

QUESTION 34

As you recall, during our January 6, 1989, meeting, I discussed with you an editorial, entitled "Nazis, dictators and Derwinski", which appeared in the Oakland Tribune on December 28, 1988. That editorial raises charges about your "record of service in an organization riddled with former Nazi collaborators" and your "alleged role in passing U.S. secrets to the South Korean CIA in the late 1970s".

A. Please provide a detailed response to each of the points raised in the editorial.

B. In your response to the first issue in the editorial, please include (i) what you knew of the background of each of the individuals named in the editorial, and (ii) the dates and specifics of your involvement with each of the individuals and each of the organizations named in the editorial.

C. In connection with the second issue, please state:

(i)(I) Whether you ever denied publicly or privately having told a Korean Embassy official of the impending defection of a Korean CIA agent. [If yes] Please describe the circumstances of the denial and to whom it was made.

(II) Whether, prior to your meeting on March 9, 1983, with Foreign Relations Committee members, you ever admitted publicly or privately having so told such an official?

(ii) Whether you testified to a grand jury on this matter in 1977 or 1978.

(I) [If yes] What did you say about this issue?

(II) [If no] Why not?

(iii) Whether you made a statement to the FBI on this matter in 1977 or 1978 and, if you did, what did you say about this issue?

(iv) Whether you testified before or submitted a statement to the House Committee on Official Standards of Conduct on this issue.

(I) [If yes] What did you say about this issue?

(II) [If no] Why not? If you provided a statement, please provide a copy of it.

(v) What were the circumstances of your communication to the Korean Government about the CIA agent?

(vi) Did the communication occur in your Congressional office or by telephone?

(vii) Was there more than one communication on your part?

(viii) What, as best you can recall, did you say exactly?

(ix) To whom was the communication made?

ANSWER:

I have met with the Chairman and Staff on two separate occasions to answer questions with respect to these issues. I have also provided a detailed narrative statement in response to these written questions.

Office of the Secretary
of Veterans Affairs

Washington DC 20420

Department of
Veterans Affairs

MAY 10 1989

Honorable Spark M. Matsunaga
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Senator Matsunaga:

I am pleased to provide you with written responses to the questions you posed to me shortly after my confirmation hearing. If I may be of further assistance, please do not hesitate to contact me.

Sincerely,

Edward J. Derwinski
Secretary

Enclosures

QUESTION 1

Nearly two years ago this Committee investigated allegations that Hawaii veterans were seriously underserved in the area of health care. A special VA Task Force subsequently confirmed the allegations and recommended, among other initiatives, that a 165-bed free-standing VA medical center be established in Oahu. (You are aware, of course, that Hawaii is one of only two states without a VA hospital.) After much delay, Administrator Turnage recently agreed to approve advanced planning work on the project. If work proceeds in a timely fashion, and subsequent approval is given for construction, the hospital should be completed by 1996 at the latest.

What are your thoughts concerning establishing the hospital by 1996.

ANSWER:

On December 13, 1988, the Administrator of Veterans Affairs approved a request to proceed with advance planning and required environmental impact studies associated with constructing a new medical center in Hawaii. This will allow the VA to immediately begin exploring options for the provision of inpatient services to veterans in Hawaii.

A VA site selection board has been established for pursuing the acquisition of land. It should be noted that as part of this process, Public Law 99-166 also requires the VA to give consideration to the lease or purchase of an existing facility as an alternative to VA construction of a new medical center.

The VA's planning efforts will be accomplished as expeditiously as possible to ensure the earliest possible consideration for future design and construction funding consistent with systemwide construction priorities and available resources. Given the very early stages of project development, we anticipate completion of the required environmental impact studies in January 1991. Subject to the availability of funding in FY 92, site acquisition could occur by December 1991. Predicated upon design funding in FY 92, final design could be completed by December 1992 with construction funding in FY 93 and construction completion in 1996.

QUESTION 2

In his pre-hearing questions to you, Chairman Cranston asked that you describe any actions you have taken in your positions at the State Department and in your service in Congress to provide opportunities for a) women, b) minorities, including disabled veterans and other disabled persons, and c) Vietnam-era veterans. In your written response, you stated that your "record speaks for itself."

Could you elaborate?

What can you do about equal rights and equal opportunity as Secretary?

ANSWER:

A. During my years in the Congress and State Department I have consistently promoted equal opportunity for women and minorities. While serving my constituents in the U.S. House of Representatives both my Administrative Aid and Legislative Aid were highly qualified women. I also received high marks and ratings from interest groups for my voting record on women's issues.

B. & C. Senator, I applaud and share your interest in this area. It is especially important now and as we move into the 1990's and the next century, because the present and projected percentages of minorities and women in the Armed Services indicates that our future veteran population will be much more heavily minority and female. Consequently, I intend to assure that we have comprehensive internal and external equal opportunity initiatives to address all facets of this issue.

Through increased emphasis on outreach and internal career development programs, we have a work force that reflects the racial and ethnic diversity of the veterans we serve. We will also have programs to assure that our employees are sensitive to dealing effectively with persons of different races, ethnic backgrounds and sex. We will also continue to strive to improve our efforts to process discrimination complaints as well as to eliminate the type of factors that may cause complaints.

QUESTION 3

Minority veterans generally underutilize services and benefits to which they are entitled, either because the services are not easily accessible or are not targeted to their specific cultural, or other requirements. Your predecessors have urged greater sensitivity to minority interests.

From what you know of the VA, are you satisfied with the VA's progress in the area of minority affairs?

What do you think can be done to ensure that minorities receive fair, equal access to health care in VA facilities?

ANSWER:

A. Progress in serving the needs of minority veterans cannot be taken for granted. While there is evidence of considerable progress in the field of minority affairs, particularly in the usage of VA services by minorities, I would hesitate to pronounce myself satisfied until I am convinced that we are doing everything within our power to assure full, fair and equal access to all VA services throughout the nation.

B. I plan to give high priority to assuring that all those veterans and beneficiaries who are entitled to benefits, care and treatment by the Department of Veterans Affairs are aware of their entitlements. Our efforts to reach veterans with this information must be targeted to overcome barriers of culture, language, income, geography and other factors which may impede access to VA services. Once a veteran contacts a VA facility for care or treatment, anything less than equal access to services is unacceptable and will not be tolerated.

QUESTION 4

You may be interested to know I have developed legislation, cosponsored by Senators Cranston, Murkowski, DeConcini, Mitchell, and Inouye, to require that one of the six Assistant Secretaries of the new Department be assigned statutory responsibility "for monitoring and promoting the access of members of minority groups, including women, - veterans services and benefits." The measure will place concern for minorities at a high level within the Department's policymaking hierarchy.

Would you share your opinion of this legislation?

ANSWER:

Public Law 100-527 authorizes no more than six Assistant Secretaries and requires the Secretary to assign certain functions to them. It does not preclude the Secretary from assigning other functions not specified in the law. I agree that the access of members of minority groups to veterans services and benefits is an important priority. The discretionary authority provided by Public Law 100-527 already allows for the assignment of that function to an Assistant Secretary. Further legislation would, therefore, be unnecessary.

QUESTION 5

As you know, an 1891 law prevents disabled military retirees from receiving both military retirement pay and veterans disability compensation. They are the only federal annuitants who are so discriminated against. Seventeen military and veterans service organizations have endorsed legislation, introduced by Rep. Bilirakis and myself, to repeal the offset.

What are your thoughts concerning elimination of the offset between veterans' disability compensation and military retirement pay?

ANSWER:

I realize that military retirees believe they are discriminated against by the requirement that they waive retirement pay in order to receive veterans' compensation. However, I do not believe that the comparisons made between military retirees and civil service retirees is appropriate. If a person is eligible for civil service benefits based on age and length of service, that person cannot also collect civil service benefits or workers compensation benefits based on disability. Veterans' compensation is a benefit based on the circumstances of a veterans' military service, just as is military retired pay. If military retired pay based on length of service were payable concurrently with disability compensation, the military retiree would be receiving two benefits based on the same period of service. The civilian employee receiving compensation based on disability related to military service and civil service annuity based on civilian employment is receiving separate benefits based on separate periods of employment.

I believe that the current prohibition in the law against concurrent retirement and compensation benefits is appropriate and is needed to prevent the duplication of federal benefits.

QUESTION 6

In 1988, Vet Center counselors saw 81,143 new veteran clients and handled nearly 600,000 visits. It is clear to me that Vet Center resources are now stretched to the maximum. Yet, the recently-released National Vietnam Veteran Readjustment Study indicates that only twenty percent of veterans with post-traumatic stress disorder (PTSD) have sought VA treatment.

What are your plans to address the service needs challenge raised by the Study? i.e., what are your plans to have the VA treat the remaining 80% of PTSD veterans who have not sought treatment for the disorder? Given the 8 years of successful treatment history and proven cost-effectiveness of Vet Centers, what are your plans to continue and broaden this community-based service? (Do you support, for example, extending eligibility to veterans of other eras? Would you consider utilizing Vets Center expertise to outreach homeless veterans?)

ANSWER:

Careful analysis of the National Vietnam Veterans Readjustment Study (NVVRS) results, including data on geographical distribution of veterans with PTSD and other readjustment problems, is underway by the Readjustment Counseling Service in concert with the Mental Health and Behavioral Sciences, Social Work, and Nursing Services. Future plans for addressing the needs of the referenced population will be formulated. Also particular attention will be given to the refinement of treatment methods, including community and family interventions for PTSD, along with brokering services for veterans in the private sector. The study results will also be analyzed concerning new outreach efforts and in-service training that may be needed to deal with service needs including but not limited to the Black and Hispanic veteran populations.

While the Vet Centers were the first VA programs to address PTSD in an organized way, the VA medical centers have developed programming in the treatment of PTSD as well. There are specialized treatment programs in the VA medical centers but most of the medical centers' treatment of PTSD takes place on the general psychiatry inpatient and outpatient units. In collaboration with vet center staff, medical facility mental health services are currently engaged in in-service training for professional staff regarding PTSD, and a number of specialized PTSD treatment teams will be developed in medical facilities during the current fiscal year. These teams will assist the vet centers further in providing needed services.

Regarding extended eligibility for war veterans of other eras, a DM&S Task Force chaired by a Deputy Regional Director, and including representatives from General Counsel, Medical Administration Service, Mental Health and Behavorial Sciences Services, and Readjustment Counseling Service, is presently reviewing current practices and policies regarding services for veterans of wars other than Vietnam at vet centers, particularly in light of the recent increase in demand for such services.

Regarding the utilization of vet center expertise to outreach homeless veterans, this is already being done to the extent feasible with existing resources. Some vet centers located in major metropolitan areas have seen small numbers of homeless veterans ever since 1980. However, during 1985, the numbers of such veterans coming for assistance began to increase at many locations. For this reason, a survey was conducted from October 1985 through February 1986, which determined that approximately 10% of new clients seen at vet centers sytemwide during that period were homeless veterans. In response to this finding, the Readjustment Counseling Service established a standing special working group on homeless veterans. In consultation with this group and management, a second survey was conducted from 20 January through 20 February 1987, at which time it was found that approximately 14% of new clients seen in vet centers systemwide were homeless (Both surveys were conducted in winter months.) In most cases, vet center staff evaluate homeless veteran cases and refer them on for other complex services required for psychiatric, social and economic problems. Vet centers play an active role in brokering such services, both VA and non-VA, for homeless veterans, which is facilitated by the close networking for referral which RCS staff have established.

In recognition of the growing importance for the VA to address the needs of the nation's homeless veterans, the Agency's provision and coordination of services to the homeless veteran population have been significantly upgraded over the last two years. Current services to homeless veterans are maximum with respect to available resources.

QUESTION 7

When you were nominated for Secretary of Veterans Affairs, you were quoted in the press to the effect that you had "...90 days to streamline that bureacracy...."

To which bureaucracy were you referring, and what is the nature of the streamlining that you intend?

Do these changes involve possible reductions in the appropriations levels you need to manage the Department?

ANSWER:

A. During consideration of legislation to elevate the VA to a Cabinet level department, the Senate Committee on Governmental Affairs stated (in the report to accompany S. 533, the proposed "Department of Veterans Affairs Act of 1988") that the case for elevation became much stronger if elevation legislation included significant management improvements and strengthened leadership within VA. Further, the Committee expressed its intent "that the Department have a consolidated management structure".

In this regard, I have established a task force to examine the current organizational structure of the VA and explore alternatives for organizing and consolidating the management structure of the new Department. I believe that this process is consistent with the intent of the Congress and will result in an organizational structure which will enable the Department to be more responsive to the needs of veterans and their families.

B. Until the task force has completed its examination, it is not possible to predict the cost implications of any organizational structure changes that may be implemented.

QUESTION 8

At the headquarters of many private sector medical institutions, the present "corporate culture" means conducting continuing studies and developments in staffing methods and mixes; developing new resource allocation strategies; and, initiating a wide variety of efforts to improve hospital efficiency, productivity, and profit. Member hospitals in these private systems need to produce maximum work at low cost, in order to remain solvent in a very competitive marketplace. Many have leaned toward philosophies of "managed care" approaches and capitation. In the VA medical system, you will discover a resource allocation system based on prospective copayment or DRGs, And a staffing management program that produces staffing standards for field medical organizations.

What is your philosophy of management systems?

In your opinion, are the approaches being made now in the VA good for organization and necessary, or are they too expensive or not essential at a time of VA "corporate" fiscal restraint? What kind of corporate culture exists at the VA and how do you intend to change it?

Is it your intent to try more of these efforts like the resource allocation and staffing programs, or less?

ANSWER:

Unlike the private sector, VA is not driven by a profit motive. Nonetheless, many of the systems in use in the private sector are also in place at the VA. Resource allocation systems, DRGs and a staffing management program are examples of systems that have been installed to manage and control resources. I believe that these management systems are absolutely necessary to maximize our productivity and control cost in the current budget climate.

We must in this time of "corporate" fiscal restraint, utilize every management tool available to us. For example, staffing accounts for approximately 70 to 80 percent of our recurring budget. It would be unwise not to monitor this recurring expense for efficiencies and cost savings that are appropriate. At the same time, the review of staffing performance also provides alerts to possible quality care issues.

The current "corporate culture" is somewhat similar to that of the private sector but differs due to financing mechanisms. I will look, however, to maximize to the extent possible our efforts to be responsive to the veteran and to those who service the veteran. Where we are not meeting that goal, I will make changes as necessary. At the same time I will utilize management systems to evaluate how well we are meeting our goal. Where necessary, I will streamline the process to meet more effectively the requirements of the veteran population in all areas, not just health care.

It is my intent to maximize the uses of these systems and to refine and streamline them to become as efficient and responsive to management as possible. I do not want to overburden the system with bureaucratic layering but will institute whatever programs are necessary to assure quality health care at a reasonable cost to the taxpayer.

QUESTION 9

The Kety Committee, which evaluated the VA's mental and behavioral sciences research program, found that research on mental illness and training for psychiatrists and other mental health specialists in VA facilities was totally inadequate, given the tremendous health needs of veterans. For example, the report found that less than 10 percent of VA research resources are directed toward mental illness. In contrast, about 40 percent of all VA day beds are provided to veterans who suffer from mental disorders.

What specific resources and research initiatives will you develop in order to target better mental health research and training in the VA?

ANSWER:

Since the Kety Committee met in 1985, Medical Research Service has expanded its funding for research related to mental illness. This expansion has occurred despite a lack of increase in the overall research budget.

On the recommendation of the Kety Committee, the VA instituted a program of intensive basic research training for VA post-residency psychiatrists without previous research experience. This program supports young psychiatrists who wish an intensive 2 to 3 year research training experience in a VA medical center and affiliated university. The goal of this program is to enrich the pool of VA psychiatrists who will become the next generation of leaders in mental health research in the VA.

QUESTION 10

The National Institute of Aging, the Veterans' Administration Clinic in Hawaii, and the University of Hawaii have been engage in discussions about establishing a joint center to address cross-cultural aspects of neurobehavioral disorders. The center would focus in part on studies of an existing longitudinal cohort of Asian Americans, 6,000 of whom are veterans.

What are your thoughts concerning establishing a geriatric research field station in Hawaii?

ANSWER:

VA research staff have been in communication with the National Institute of Aging about the potential for such a center. However, at the present time, it does not appear that there is a "critical mass" of investigators available in Hawaii to warrant support of such an activity. The plan to establish an expanded VA facility with inpatient capacity, will allow the development of a significant medical research program, which could include study of cross-cultural aspects of neurobehavioral disorders.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

February 3, 1989

Honorable Alan Cranston
Chairman, Committee on
Veterans' Affairs
United States Senate
Washington, D.C. 20510

Dear Alan:

Enclosed are my answers to the pre-confirmation questions submitted by Senator Sarbanes which you transmitted to me.

Sincerely,

EDWARD J. DERWINSKI
Secretary-Designate

Enclosures

QUESTION 1:

With respect to management decisions about the Department of Veterans Affairs' ("VA's") health-care system, what should be the relationship between the Secretary of Veterans Affairs and the Chief Medical Director ("CMD")?

ANSWER:

Shortly after my nomination I met with the Chief Medical Director, and made it clear that I expect him to be responsible for the day-to-day management and operation of the VA health care system. There will be close communication between the CMD, the Deputy Secretary and me. I will be actively involved with all issues that require my knowledge, input or decision.

QUESTION 2:

In your view, to whom is the VA obligated to provide health-care services?

ANSWER:

It is the responsibility of the VA to fulfill the mission that has been assigned to us by the laws enacted by the Congress and approved by the President. I intend to assure that all statutory commitments or responsibilities with respect to health care are met.

QUESTION 3:

In your view, how is the VA health-care system related to the overall U.S. health-care system.

ANSWER:

It is essential that the VA health care system be in the forefront of health care in this Nation. That means that we must continue to give quality health care and be a leader in health care research. I view the VA health care system as an essential part of the overall U.S. health care system.

QUESTION 4:

What do you see as the most pressing issues confronting the VA health-care system and what will you do to address these concerns.

ANSWER:

In my discussions with the Chief Medical Director he has indicated his belief that the three most pressing issues facing the health care system are (1) the system's ability to fulfill its mission and face new demands such as caring for an aging population, within limited resources, (2) maintenance of high quality health care and (3) the recruitment and retention of a high quality health care professional staff.

I have no reason at this point to disagree. I have not, however, had the opportunity to develop any detailed strategy for dealing with these issues and will be working with the Chief Medical Director, as well as consulting with the National Veterans Service Organizations, and with the Congress, to assure that they are appropriately addressed.

QUESTION 5:

How will you work with and support the CMD's ongoing efforts to address and resolve the problem of the shortage of health-care personnel in the VA health-care system?

ANSWER:

I recognize that both the VA and the Nation as a whole face a shortage in certain health care occupations, such as registered nurses. I intend to aggressively address this problem and its solution.

QUESTION 6:

As one alternative for reducing VA health-care system costs, the CMD appears to be in favor of reducing spending on alcohol and drug treatment programs offered by the VA health-care system. Do you believe that the CMD's position is consistent with the Anti-Drug Abuse Act of 1988, Public Law 100-690? In light of the Anti-Drug Abuse Act of 1988 and the CMD's apparent willingness to cut alcohol and drug treatment programs for veterans, will the VA be abandoning its responsibility to help veterans with chemical dependencies?

ANSWER:

I have been advised that Congress did not provide any funding to implement the new Anti-Drug Abuse Act. The Chief Medical Director has advised me that VA medical centers are making programmatic adjustments in FY 1989 to operate within available funds and to continue meeting the medical needs of veterans whose care is mandated by statute. We will also fully cooperate with the new Director of National Drug Control Policy, William J. Bennett, as he develops his area of responsibility. Any further direction from Congress will be welcomed.

QUESTION 7:

President Reagan submitted a document entitled "Major Policy Initiatives, FY 1990" with his budget. In describing the Administration's drug initiatives, the document stated, "The Department of Veterans Affairs will maintain treatment programs for veterans suffering from drug dependence." Is this statement of national policy in the President's budget submission, in your view, consistent with the CMD's proposal to reduce spending on drug and alcohol treatment programs for veterans? Please comment on the emphasis you intend to place on VA activity to combat substance abuse.

ANSWER:

The treatment of substance abuse is a vital component of the health care mission of the agency. I have not, however, reached any conclusion with respect to the resource needs of the program.

QUESTION 8:

In the last eight years, the Administration has proposed FTEE cuts in the VA's Department of Veterans Benefits (soon to be the Veterans Benefits Administration) which have reduced staff in the Department of Veterans Benefits by approximately 4000 FTEE, resulting in a significant decline in the timeliness and quality of service delivered to veterans.

A. Do you believe that the Department of Veterans Benefits can operate as well with further FTEE cuts. If yes, then what level of further FTEE cuts do you believe the Department of Veterans Benefits can endure?

B. Do you support the 321 FTEE cuts for the department of Veterans Benefits proposed in the Administration's FY 1990 budget?

ANSWER:

I haven't had the opportunity to evaluate all aspects of the DVB program and the resource needs associated therewith. If I determine that additional funds are needed I will seek them, with a full awareness that there are other competing demands and that some balancing of requests for available resources must take place, both by the Congress and by the President.

QUESTION 9:

What will you do to ensure that the Department of Veterans Benefits has enough resources to meet its claims application-processing quality and timeliness standards?

ANSWER:

See response to question 8.

QUESTION 10:

In FY 1989, the VA is experiencing a budget shortfall in the medical care account, the VA has an accumulated equipment shortfall, thousands of eligible veterans are being and will be denied care, certain health-care programs are being closed or restricted and some veterans are being transported long distances to receive the care to which they are entitled.

A. Under these circumstances, what would you have done to ensure that Congress received a supplemental appropriation request.

B. What do you plan to do to ensure that the VA has adequate funds to furnish appropriate care to veteran-patients in the current fiscal year?

C. Will you raise with the Director of OMB and, if necessary, with the President the VA's urgent need for a medical care supplemental appropriation?

ANSWER:

As I indicated earlier, I intend to be an advocate for this Nation's veterans and will pursue with diligence those resources which are essential to our mission. We are in a period where the resources available to meet the needs of the Nation as a whole are impacted by our pursuit of the deficit reduction targets. For that reason, we will not receive everything that we would desire. I believe, however, that the President will give us an opportunity to present our case in those situations where we may have some disagreement with others in the Executive Branch, and I intend to request such meeting with the President when necessary.

QUESTION 11:

Do you support the Administration's FY 1990 budget for the VA's medical account which would translate into a 1,962 FTEE reduction in the VA medical care program?

ANSWER:

I have not had the opportunity to fully review this particular issue.

QUESTION 12:

Do you support the planned legislative initiative included with the Administration's FY 1990 budget which would require certain categories of veterans to pay a $9.00 copayment for each day of inpatient care, $5.00 or $10.00 for each outpatient visit (depending upon the category into which the veteran fits) and a $3.00 or $5.00 copayment for prescriptions (depending upon how the veteran is classified)?

ANSWER:

I'm still assessing these proposals in the overall context of the agency mission and the resources available. It should be kept in mind, however, that the entire Reagan budget and associated legislative proposals are being re-evaluated by President Bush.

QUESTION 13:

What is your view of the Administration's plans to submit legislation to extend the VA's authority to require reimbursement from third parties for the treatment of veterans to cover the non-service-connected disabilities rated at 0-20 percent?

ANSWER:

See answer to question 12.

QUESTION 14:

Do you believe that the VA currently has, and will have under the budget request for FY 1990, adequate staff to provide quality health-care to veterans eligible for or entitled to care and who are likely to request care? If not, what steps will you take to increase the number of health-care staff and to what level would you propose increasing that staff?

ANSWER:

The Chief Medical Director has advised me that we have adequate staff to care for veterans whose care is mandated by statute.

QUESTION 15:

P.L. 100-322 required VA medical centers to incur additional costs and to make additional allocations. In addition, many VA medical centers must accept new workloads associated with AIDS. What would you do to address the additional costs VA medical centers must bear as a result of P.L. 100-322 and the care, treatment and education related to AIDS.

ANSWER:

I intend to undertake a comprehensive review of the adequacy of funding for the VA health care program and if that review so indicates I will seek additional funding.

QUESTION 16:

There are six designated national HIV Research Centers for the VA.

A. In your view, can these Centers function properly if they receive money only for equipment and research personnel and no money for required additional supplies, fiscal activity and administrative personnel to support the research.

B. What will you do to ensure that they receive the funding necessary to conduct quality and potentially fruitful research.

ANSWER:

I am fully aware that the medical challenges involved in the Nation's battle against AIDS also confront the VA health care system. I have not, however, had the opportunity to become fully knowledgeable about all aspects of our current treatment program, or of the resource needs that will be necessary.

QUESTION 17:

VA Medical Center Directors have expressed increasing concern about the inability to recruit and retain full-time, academically trained physicians in areas such as Surgery, Pathology and Psychiatry. This inability to recruit and to retain physicians has been attributed to salaries that are not competitive with salaries paid in private practice or by medical schools, cramped and unstaffed working conditions, lack of support supplies and severe budgetary constraints. How would you address this problem?

ANSWER:

I recognize that the VA and other Government agencies face recruitment and retention difficulties in the area of highly specialized physicians. I intend to aggressively address this problem and its solution.